

**OVERVIEW**

The Fund was established in 2016 and acts as an unhedged Australian feeder fund into the assets of Bridge Multifamily & Commercial Office Fund III, LP (“BMF III”). BMF III is a US\$1.1 billion (committed equity) value-add “buy, fix, sell” private equity real estate fund, investing in value-add US multifamily apartment communities and office buildings. The Fund has made a US\$53 million capital commitment to BMF III, which represents approximately 4.8% of BMF III’s total committed capital. To date approximately 71% of committed capital has been deployed or committed to 46 value-add multifamily and commercial office assets located throughout the USA, at gross aggregate purchase price of circa US\$2.5 billion. BMF III’s Investment Period will run until January 2018, following which assets will be sold as they are stabilised and value has been maximised. Bridge Investment Group (“Bridge”) is the US based Investment Manager of the Fund. Bridge is a specialist US real estate and real estate funds manager with over US\$6.7 billion in assets under management. Bridge is headquartered in Salt Lake City, Utah, with offices in New York, San Francisco and Orlando. Over the last 23 years Bridge has invested, managed and sold several billion dollars of property assets across all segments of the market. Bridge has a strong operating and property management platform, comprising over 1,000 management, leasing and facilities employees across the 30 states in which assets are owned.

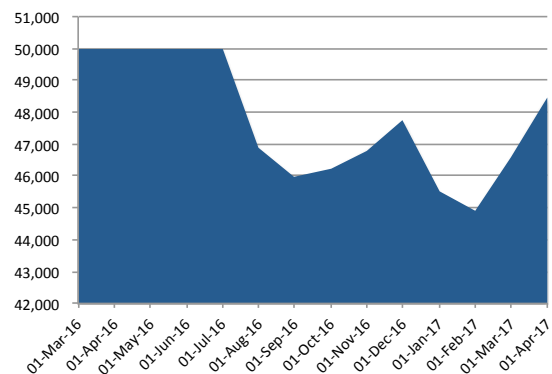
**PERFORMANCE (NET OF FEES)**

Ordinary Unit Class

Based upon underlying fund data as at 31 March 2017

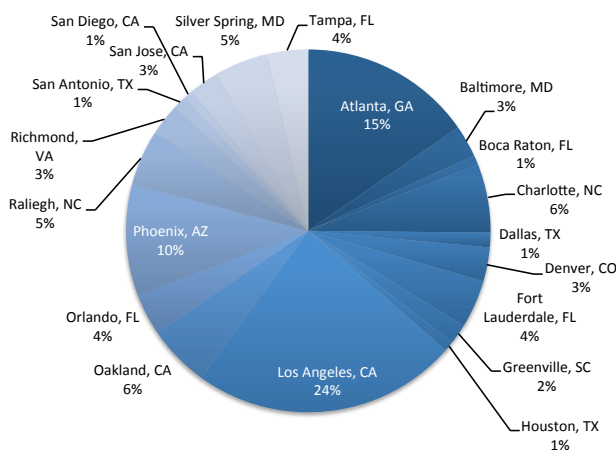
1 month	3 months	1 year	5 years	Inception (p.a)
4.07%	6.53%	1.55%	N/A	-2.62%

**GROWTH OF AUD 50,000 INVESTMENT**



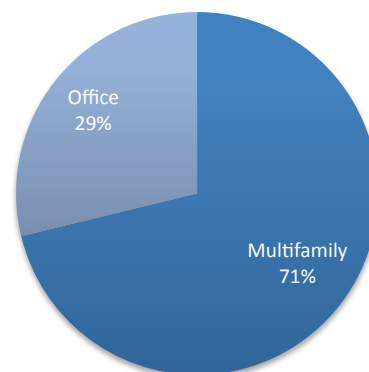
Performance and Growth table and chart are based on an investment made at the Fund’s inception in March 2016 at \$1:00 per unit and includes Unit Price growth from commencement of NAV based unit pricing following completion of capital raising in August 2016. Unit Price and performance do not include the value of Foreign Income Tax Offsets (FITOs) which have been accrued. Individual investor performance will vary according to the Issue Price at which they were issued Units in the Fund, which in turn was based upon the AUD / USD exchange rate applicable in the month in which an investment was made.

**REGIONAL BREAKDOWN\***



**ASSET CLASS BREAKDOWN\***

\*Underlying Fund investments by Cost as at 31 March 2017



**FUND DETAILS**

<b>Fund Size (AUDm):</b>	73.6
<b>APIR Code:</b>	ETL0460AU
<b>Commencement:</b>	18 March 2016
<b>Zenith Research Rating:</b>	Highly Recommended (Original rating, now lapsed as closed)
<b>Unit Price:</b>	\$0.9695
<b>Distribution Frequency:</b>	Annually as at 30 June
<b>Liquidity:</b>	Nil - Closed-ended fund

<b>Fund Manager:</b>	Spire Capital Pty Limited
<b>Investment Manager:</b>	Bridge Investment Group, LLC
<b>Responsible Entity:</b>	Equity Trustees Limited
<b>Base Management Fee:</b>	0.58% p.a. x NAV
<b>Underlying Fees:</b>	2% of committed equity
<b>Underlying Performance Fee:</b>	20% of realised profits after an 8% preferred return is paid to Limited Partners.
<b>Application Status:</b>	CLOSED

**MONTHLY UPDATE**

Positive contributors to performance during the month of April were an 11.6% increase in Called Capital during Q1, and a 0.02x increase in the value of Called Capital from Q4 to Q1, due to increased cashflows and valuations from underlying ROC III assets. The portfolio of assets which has been aggregated to date is now through the J-curve and showing a 1.07x on invested equity even after consideration of the performance reporting drag stipulated under US GAAP accounting standards (requiring assets to be marked at purchase cost less acquisition costs for 6 months from date of settlement). Also positively contributing to performance was the 1.97% decrease in the value of the Australian dollar against the USD dollar from US\$0.7628 to US\$0.7478. The Fund does not hedge currency exposure. USD denominated Underlying Fund performance since inception is summarised below:

**Underlying Bridge MF III Investment / J-Curve Dashboard**

As at 31 March 2017

Metric	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Committed Capital (USD)	9M	53M	53M	53M
Called Capital %	54.2%	39.1%	51.1%	62.7%
USD cash %	45.8%	60.9%	48.9%	37.3%
IRR on Called Capital	NM	NM	7.2%	10.9%
Equity Multiple on Called Capital	1.03x	0.99x	1.05x	1.07x

**OUTLOOK**

A comprehensive update from the Investment Manager of BMF III as at Q1 2017 is provided as Annexe A, commencing on page 3. A copy of the complete asset by asset summary update is available to investors and advisors on request.

Deployment of committed capital is running in line with expectations, with 71% of committed capital now called or committed. Full deployment is still anticipated by Q4 2017.

The portfolio of assets which has been aggregated to date is now through the J-curve and showing a 1.07x on invested equity.

Spire USA ROC III Fund's negative performance to date is predominately due to Foreign Exchange losses.

**NEW SPIRE USA SENIORS HOUSING FUND II - NOW OPEN FOR INVESTMENT**

Spire is pleased to advise that Spire USA ROC Seniors Housing and Medical Properties Fund II is now open for investment via PDS and selected platforms. This Fund seeks to participate in the aggregation, value-add and eventual sale, of a portfolio of value-add, private pay, "for rent", Independent Living, Assisted Living and Memory Care (specialised Alzheimers / Dementia care) properties located throughout the USA. Bridge Investment Group is again the US Investment Manager of the underlying US private real estate fund. This is the follow on Fund to Seniors Housing Fund I, which has acquired US\$1.6 billion in seniors housing assets. Annual distributions of income derived from rentals and returns of capital and profits from sales will be made to investors. For further information or to arrange a discussion or presentation please email [info@spirecapital.com.au](mailto:info@spirecapital.com.au), or visit the Spire website.

**CONTACT US**

For further information please:

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Visit our website: [www.spirecapital.com.au](http://www.spirecapital.com.au)

**Important Information**

"Equity Trustees Limited ("Equity Trustees"), ABN 46 004 031 298 and Australian Financial Services Licence Number 240975, is the Responsible Entity of the Fund. Spire Capital Pty Ltd ("Spire") ABN 21 141 096 120 and (wholesale) Australian Financial Services Licence Number 344365 is the Fund Manager of the Fund. This Monthly Update has been prepared by Spire for general information purposes only. It does not contain investment recommendations nor provide investment advice. Neither Equity Trustees nor Spire nor their related entities, directors or officers guarantees the performance of, or the repayment of capital or income invested in the Fund. Past performance is not necessarily indicative of future performance. Professional investment advice can help you determine your tolerance to risk as well as your need to attain a particular return on your investment. In preparing this information, we did not take into account the investment objectives, financial situation or particular needs of any particular person. You should not act in reliance of the information of this Monthly Update. We strongly encourage you to obtain detailed professional advice and read the relevant product disclosure statement in full before making an investment decision. Applications for an investment can only be made on an application form accompanying a current Product Disclosure Statement ("PDS")."

## **ANNEXURE A: INVESTMENT MANAGER'S REPORT**

*Note: All Figures and forecast returns are USD denominated and pre-US tax*

Dear Partner,

Thank you for your continued support of Bridge Multifamily & Commercial Office Fund III LP ("Bridge Multifamily III Funds" or the "Partnerships"). We are pleased to share with you the Quarterly Report of the Partnerships for the period ending March 31, 2017.

### **VIEWS ON THE MULTIFAMILY AND COMMERCIAL OFFICE MARKETS**

The first quarter of 2017 saw a continued, although modest, positive move for owners of Class B multifamily, with positive effective rent growth and continued strong occupancy. Data providers REIS and Yardi indicate modest rent growth of 0.3% and 0.2% respectively for the quarter. The markets in which Bridge owns and is targeting assets outperformed the national average rent growth by 38% in Q1, according to REIS data, and are forecasted to do so in the future. Furthermore, The Fund III assets had same-store rent growth of 1.1% in Q-1, which is reflective of some continued rehab growth and stronger average market performance in the Bridge markets. We believe that more moderate rent increases will be the new norm, given the high quantity of class A deliveries in 2017, and the possible impact of affordability levels starting to moderate potential growth in broader housing markets. In a number of markets throughout the country, there is evidence that rents are beginning to push the limits of affordability, and will impact the pace of rent growth, which has been blistering over the past several years. This is to be expected as the market matures.

Both REIS and CoStar showed a 10 basis point increase in vacancy quarter-over-quarter for multifamily assets nationally, primarily in the class A space, a result we fully expected given the healthy amount of deliveries in Q1. Yardi Matrix is forecasting almost 400,000 multifamily units will be delivered in 2017, in what it projects will be the peak year for deliveries in this cycle. These deliveries should lead to slight increases in overall vacancy each quarter this year; however, Bridge's strategy of investing in highly sought-after Class B assets where minimal new directly competitive supply is expected should insulate us from some of the impact of this modest increase in vacancy.

CoStar forecasts that Class B multifamily vacancy will only increase 10 bps during the entire year of 2017, remaining near historical lows. This market environment remains favorable to our investment strategy, with growing demand for more affordable Class B multifamily units continuing in Bridge markets with strong household and job growth.

The US commercial office market performed in like manner to multifamily assets in Q1, with moderately rising rental rates and stable occupancy. Rents grew 0.3% and occupancy remained at 89.4% nationally (Source: CoStar). Both central business districts and suburbs performed well during the quarter. The suburbs absorbed more than their "fair share," accounting for 74% of total net absorption on a base of 65% of total supply (Source: CBRE).

Technology firms continue to play the largest role in leasing activity, driving over 7.1 million square feet of new absorption during Q1 (Source: JLL). Finance and Insurance came in a distant second at 4.2 million square feet, with the next largest industry, Government, at 1.9 million square feet. Phoenix led leasing activity among secondary markets, registering net absorption of 930,000 square feet, spread across a broad array of industries (Source: JLL).

Phoenix is illustrative of a continuing trend in the commercial office sector, in which secondary markets have become greater contributors to national net absorption than they have been historically. Despite representing one third of total inventory, markets with fewer than 75 million square feet of office space were responsible for 43% of national occupancy growth. Trends like these are what encourages Bridge Office's positive outlook for acquiring assets in top-performing submarkets within secondary metro areas that experience a large influx of office-using employees and limited new development.

### **INVESTMENT ACTIVITY UPDATE**

As of March 31, 2017, Bridge Multifamily III Funds had called 62% of the Partnerships' available capital and had made 42 investments in high-growth cities in Arizona, Texas, Florida, Georgia, Maryland, Colorado, North Carolina, and Northern and Southern California. The 42 investments owned by Bridge Multifamily III, as of the end of Q1 2017, have a total capital allocation of \$2.3 billion, and are projected to yield an average three year cash-on-cash return of 9.8% , an asset-level 19.0% IRR and a 1.88x multiple on invested equity. (*Spire note: this projection is relevant for US investors only as it is pre-US withholding and income taxes*).

During the quarter ending March 31, 2017, the Partnerships acquired five assets including:

- Indigo West Apartments, a 456 unit apartment community in Orlando, Florida
- SunTrust Center, a 417,069 square foot office building in Richmond, Virginia
- Imperial Center, a 367,717 square foot office building in Durham, North Carolina
- Tierra del Sol Apartments, a 276 unit apartment community in Mesa, Arizona
- Alviso Tech Park, a 187,755 square foot office building in San Jose, California

As of March 31, 2017, we had under contract four additional assets totalling \$157 million in purchase price, and projected to utilize \$57 million of Partnerships equity. As a result, we were 71% allocated by the end of the quarter. All 46 investments currently owned or under contract by the Partnerships have a total capitalization price approximating \$2.46 billion, including budgeted capex. With these acquisitions, we will have completed the majority of our commercial office acquisitions, which we typically target earlier in the Fund in order to provide some earlier profit realizations to our investors. The asset team has done an excellent job in accelerating performance objectives at these assets, and as such, we anticipate bringing some of our commercial office assets to market early in 2018.

We believe this portfolio reflects the strong financial metrics we anticipated in our offering documents, and the exceptional “value add” capabilities of our asset and property management teams, along with the attractive risk-adjusted returns that Bridge Multifamily III expects to deliver. Overall competition for multifamily investments has slowed our pace of deployments and caused us to tighten our return parameters in the last quarter. While slower than we had anticipated, we continue to remain optimistic about our ability to find attractive opportunities for deployment of the remaining capital by the end of 2017.

#### OPERATIONAL UPDATE


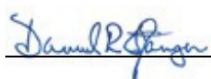
As of the end of Q1 2017 the Fund III multifamily portfolio had achieved a 3.9% positive NOI variance to original pro forma, due largely to operating expense savings often occurring early in our ownership. Our 2017 budgeted projections for the portfolio are within 1% of pro forma on revenue and about 3.6% favorable on expenses putting us right on projection for 2017 NOI. The multifamily portfolio is 94.0% leased reflecting the fact that we are still in the repositioning mode, with extensive renovations still underway.

The office portfolio performed well in Q1 2017, with NOI exceeding pro forma by 3.6%. The portfolio is 80.9% leased as of March 2017, with a number of leases currently being negotiated. Recurring cash flow from the combined portfolio continues to be strong at approximately 9.9% on the assets owned long enough to start distributions.

In summary, while we have a few assets that are presenting challenges, and much work remaining, we have many outperformers, and are feeling good about our commercial and multifamily investment operations as a whole, along with the specific markets we are targeting and operating in. We appreciate your support as our Partner and are extremely gratified by the progress we have been able to achieve to date in the Bridge Multifamily III Funds. We look forward to continued success.

If you have any questions regarding Bridge Multifamily III or your investment, please do not hesitate to contact us.

With Best Regards,



Danuel Stanger & Jonathan Slager  
Co-Chief Investment Officers  
Bridge Multifamily III Funds