



## New Fund Information.

### **Spire USA ROC Seniors Housing and Medical Properties Fund II.** *An investment in US 'private pay' Aged Care and medical real estate.*

For the information of Wholesale Investors and Advisers only

As the US population ages, demand for US Aged Care accommodation, or Seniors Housing as it is known in the US, is expected to rise significantly.

The US Census Bureau forecasts that by 2030, the number of Americans aged 75 and older - the key demographic for Seniors Housing - will increase by 69% to 35 million people - or 9.7% of the US population. On average, over 900,000 US baby boomers will turn 75 each year for the next 15 years.

Unlike Australia, the dominant business model for Seniors Housing in the US is a private pay rental model. That is, an Entrance Fee is not paid by the resident, who instead pays a monthly rental, from their own private sources (including social security). This monthly rental is market based, with no government subsidisation or limitation. This results in very stable cash-flow being generated by stabilised Seniors Housing properties.

Over the past decade, the stable cash-flow generated by Seniors Housing properties has caught the attention of institutional investors, particularly publicly traded Real Estate Investment Trusts (REITs), who

operate to provide an attractive income yield to their investors.

As such, the US Seniors Housing sector is undergoing an institutionalisation process. Publicly traded REITs currently own just under 16% of the estimated US\$252 billion US Seniors Housing sector, but have been the most aggressive purchasers of large Seniors Housing portfolios in recent years.

Spire USA ROC Seniors Housing and Medical Properties Fund II will participate in a private equity real estate aggregation strategy, which will involve the progressive acquisition of a circa US\$2 billion portfolio of 50-70 properties over a 2 to 3 year period. Each asset will undergo a value-add process to maximise cash-flows, and then the stabilised portfolio will be sold from 2020 - most likely via an in-one line to an institutional buyer from 2020. Following the sale(s), capital and profits will be returned to investors and the Fund liquidated.

During the aggregation and stabilisation period, distributions of profits resulting from the collection of rentals and associated services will be distributed to investors on an annual basis.



	Multi-Family	Seniors Housing			Healthcare	
	Senior Multi-Family	Independent Living	Assisted Living	Memory Care	Medical Office & Facilities	Skilled Nursing Care
Typical Services Provided	Organized social activities	Restaurant-style dining, social activities, weekly housekeeping and laundry, transportation	Independent living services plus assistance with bathing, eating and dressing; medication reminders	Assisted living services plus special behavior/memory care; secured access only	Medical Practitioners offices, specialty hospitals, long term acute care; intermediate care properties	Assisted living services plus administration of medications; 24 hour care; Short term Rehabilitation.
Source of Revenue	Lifestyle Choice/Private Pay	Sometimes Needs Based/Private Pay	Needs Based/Private Pay		Needs Based/Significant Public Pay	Needs Based/Majority Public Pay <sup>(1)</sup>
Targeted	n/a	90%			10%	

← Primary Focus →

## Fund Strategy

The Fund is a feeder fund into the assets of the US domiciled ROC Seniors Housing and Medical Properties Fund II, LP. (ROC Seniors II) ROC is an acronym for 'Real Estate Opportunity Capital.

ROC Seniors II is seeking to raise US\$750 million in capital commitments to acquire over the Fund's 3 year Investment Period, with leverage, a circa US \$2 billion portfolio of Seniors Housing and other medical related properties located throughout the USA. These assets will either be Income, Light Value-Add, Heavy Value-Add or New Construction properties. The Fund is seeking to raise A\$100 million to invest as a single Limited Partner in the ROC Seniors II global partnership.

The maximum price that each asset will be acquired at will be determined by the Fund's target returns, being a (USD denominated) 14% to 16% net Internal Rate of Return (i.e. annual total return), a minimum 2.0 x equity multiple on invested equity, and an 8% to 12% 'on cost' annual distribution yield from stabilised properties.

On completion of the value-add strategy at each asset, at some time during the Fund's 'Harvest Period', which will commence in February 2020, the Investment Manager intends to sell the portfolio as stabilised, core properties. The preferred exit strategy is an in-one line sale to a large cap publicly traded REIT.

This is because large cap REITs have previously paid portfolio premiums to secure large stabilised portfolios.

Following the sale of all assets the Fund will be liquidated and all capital and profits returned to investors.

## Investment Manager

The US Investment Manager is Bridge Investment Group Partners, LLC, an SEC-registered investment adviser with US\$6.7 billion AUM. Bridge-IGP and its affiliates employ over 1,000 people across 18 states and 50 U.S. metropolitan statistical areas. Bridge-IGP was recently named a Top 50 Private Equity Real Estate firm by PERE, a leading industry publication. Bridge-IGP and its affiliates manage approximately 32,700 multifamily housing units, 6,100 senior housing units and 2.6 million square feet of commercial office space.

Bridge IGP's Seniors Housing team are industry stalwarts, who are responsible for the largest private to public trade in US Seniors Housing history, the aggregation of the 275 property CNL portfolio from 2004, and subsequent 2007 sale to HCP REIT for US\$5 billion.

In 2013 ROC Seniors Housing Fund Manager, LLC, an affiliate of Bridge Investment Group Partners, LLC, incepted ROC Seniors Housing and Medical Properties Fund LP, ('ROC Seniors I) which raised capital commitments totalling US\$737 million. These commitments have now been fully deployed or committed, in progressively acquiring a portfolio of 51 value-add seniors housing properties, providing a total of 6,100 Independent Living, Assisted Living and Memory Care seniors housing rooms. This portfolio has been acquired, with leverage, at a total cost of approximately US\$1.5 billion. This portfolio is now in the process of executing its value-add strategy at each asset, with a view to maximising Net Operating income (NOI) by 2018, from which time exit strategies will be assessed, however an 'in-one-line' sale of the portfolio is the expected likely exit.

## The types of properties the Fund will invest in:

The Fund generally intends to target for acquisition properties that offer services to seniors including Independent Living (IL), Assisted Living (AL) and Memory Care (MC) facilities. Some Seniors Housing properties may also include Skilled Nursing Facilities (SNFs), and others may provide many or all levels of service on one campus, such as a Continuing Care Retirement Community (CCRC). The Investment Manager expects that approximately 80% of the Fund's portfolio will be invested in Seniors Housing properties and that less than 10% of the units in its Seniors Housing properties will be SNF units. A brief description of Seniors Housing property types follows:

- **Independent Living Facilities.** IL facilities are designed for seniors who pay for limited services (for example, housekeeping, transportation, meals) to be provided for a monthly fee or rental rate, and who require little, if any, assistance with activities of daily living (“ADL”). Typically, IL units are not licensed for healthcare. Residents of IL units may receive home healthcare services provided to them by either an outside agency or an affiliate of the manager. In order to qualify as an IL property, the community must contain a common dining facility that provides at least one daily meal as part of its monthly fee. IL communities often include small components of AL and MC units and typically include 100 to 250 units. IL units receive substantially all of their revenue from private payor sources.
- **Assisted Living Facilities.** AL facilities are licensed to provide assistance with ADLs, which include: eating, bathing, dressing, ambulation and other personal care needs. In addition to other services, such as housekeeping, meal options, social activities and transportation, AL facilities emphasise resident care. Residents generally need assistance with two or more ADLs. Some AL facilities have designated MC units for those with special needs. AL units receive the majority of their revenue from private payor sources.
- **Memory Care Facilities.** MC facilities specialise in caring for residents with Alzheimer's or dementia care and may be licensed as AL facilities or, in high acuity settings, skilled nursing. MC facilities typically employ a higher ratio of staff to residents than AL facilities. Staff have specialised training and residents are given a variety of activity-based programs. The entire facility or specialised component tailored to the MC residents generally includes higher security features and enhanced sensory prompts, such as pictures to accompany signs, to help orient residents to their surroundings. While MC units are common in both AL and IL facilities, some properties may only include MC units. A typical MC-only community may house 30 to 100 units. Generally, MC units receive the majority of their revenue from private payor sources.

### Third-Party Management Agreement Terms

The Fund, the Investment Manager, the Investment Manager and their respective affiliates do not provide care services to Seniors Housing residents. Instead, they rely on experienced managers to oversee the daily operations at the facilities for arms'-length regular and incentive fee-based management agreements. This affords the Investment Manager the ability to diversify the Fund's investment portfolio among managers. The properties will be managed by third-party managers with extensive experience operating Seniors Housing facilities. Normally, the liability risk associated with operating these facilities is borne by the Fund; however, the manager will typically be asked to indemnify the Fund from losses, damages, claims or any other liability arising from the manager's negligence, gross negligence or willful misconduct. While the terms of management agreements vary, the Fund will target multi-year timeframes with cancellation provisions upon reasonable notice without cause and for a penalty payment, generally calculated by the length of time remaining in the management agreement term, or immediately for cause (subject to reasonable cure rights). Many management agreements carry incentive fee components driven by performance, and such provisions may also be cancellable under certain circumstances. The Investment Manager may use incentive management agreements to align the manager's and the Fund's interests in order to maximise the value of the Fund's assets.

### Medical Office and Other Healthcare-Related Properties

Healthcare properties include medical office buildings, specialty clinics, specialty hospitals, long-term acute care (“LTAC”) facilities, rehabilitation centres, surgery centres, emergency centres and other medical property types. Generally, healthcare properties are net leased by commercial tenants (often single tenants) engaged in providing medical services to patients and clients. These single tenant and multi-tenant buildings may be directly managed by the Investment Manager or its affiliates. Generally, the leases provide for high yields, inflation provisions and credit enhancement in the form of significant cash flow in excess of the lease or guarantees. The Investment Manager expects that less than 30% of the Fund's portfolio will ultimately be invested in select medical office and other healthcare-related properties.

## Fact Sheet Summary

<b>Fund Name</b>	Spire USA ROC Seniors Housing and Medical Properties Fund II
<b>Fund Objectives</b>	The Fund seeks to provide investors with annual income and attractive long-term capital appreciation by investing in a diversified portfolio of private seniors housing and medical related office properties located throughout the USA.
<b>Type(s) of investors for whom the Fund would be suitable</b>	Long-term investors seeking a diversified total return strategy and exposure to alternative investments.
<b>Recommended investment timeframe</b>	5-7 years
<b>Responsible Entity</b>	Equity Trustees Limited
<b>Fund Manager (Australia)</b>	Spire Capital Pty Ltd
<b>Investment Manager (USA)</b>	Bridge Investment Group Partners, LLC
<b>Fund Domicile &amp; Currency</b>	Australia / Australian Dollars
<b>Applications</b>	Daily during Capital Raising Period
<b>Currency Hedging</b>	Generally the Fund will be unhedged, unless the Fund Manager determines that it is in the best interest of unitholders to hedge.
<b>Application Period</b>	Until late 2017
<b>Minimum Application (Direct)</b>	A\$50,000
<b>Platforms</b>	To be advised - check with Spire Capital
<b>Unit Pricing</b>	Monthly
<b>Distributions</b>	Annually as at 30 June
<b>Liquidity</b>	The Fund is illiquid. Capital and profits from asset sales will be progressively returned as assets are sold during the "Harvest Period" committing February 2020.
<b>Management Fees</b>	0.60% p.a.

### Up to Date Information

Price, performance and other fund information is available at [www.spirecapital.com.au](http://www.spirecapital.com.au)

Factsheets are updated regularly

### Further Information

 Talk to your Adviser

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

Past performance is not a reliable indicator of future performance.

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