

SPIRE GLOBAL PRIVATE REAL ESTATE  
**SPIRE USA ROC SENIORS HOUSING AND  
 MEDICAL PROPERTIES FUND II (AUD)**  
 MONTHLY FACTSHEET - NOVEMBER 2018



**OVERVIEW**

The Fund was established in 2017 and acts as an unhedged Australian feeder fund into the assets of of Bridge Seniors Housing & Medical Properties Fund II LP (“Bridge Seniors II”). Bridge Seniors II is a US\$1.05 billion (equity) “buy, fix, sell” private equity real estate fund, investing in value-add US seniors housing and medical properties. The Fund has a US\$49.5 million capital commitment to Bridge Seniors II, of which 12.0% has now been called and invested. The Fund owns a 4.95% share of a diversified current portfolio of 16 separate seniors housing assets located across nine US states, providing a total of 1,868 seniors housing units. Bridge Seniors II’s Investment Period will run until January 2020, during which the investment portfolio will continue to be aggregated. After this date Bridge Seniors II’s Harvest Period will commence, during which portfolio assets will be sold, most likely via a portfolio sale, when the portfolio has been 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\$10 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 as at 30 November 2018  
 Based upon underlying fund data as at 30 September 2018

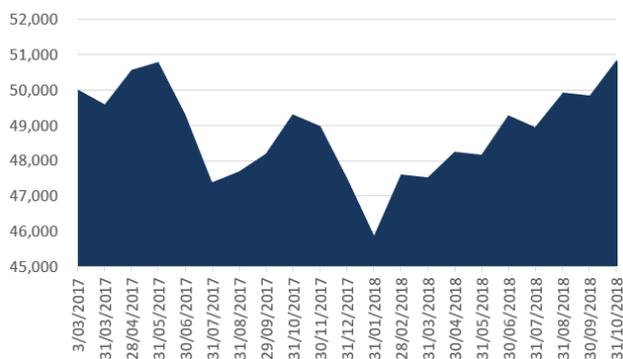
1 month	3 months	1 year	5 years	Inception (p.a)
-2.65%	-0.85%	1.08%	N/A	-0.57%

Monthly Unit Price Movement Breakdown	
Underlying investment	0.52%
Foreign exchange	-3.11%
Management fees	-0.04%
Other income and expenses	-0.02%
<b>Total Movement</b>	<b>-2.65%</b>

Asset Allocation as at 30 November 2018	
Cash AUD	0.08%
Cash USD	81.72%
Investments USD	18.21%

Unit Price as at 30 November 2018	
Unit price (excluding FITOs)	\$1.3021
FITOs	\$0.0007
Unit price plus FITOs	\$1.3028

**GROWTH OF AUD 50,000 INVESTMENT<sup>1</sup>**



*\*\* Past performance is not a reliable indicator of future performance\*\**

*Performance is measured from the date of the Fund’s first issuance of units on 3rd March 2017 at \$1.3220 per unit. Individual investor performance will differ based upon the unit price at which there were issued units.*

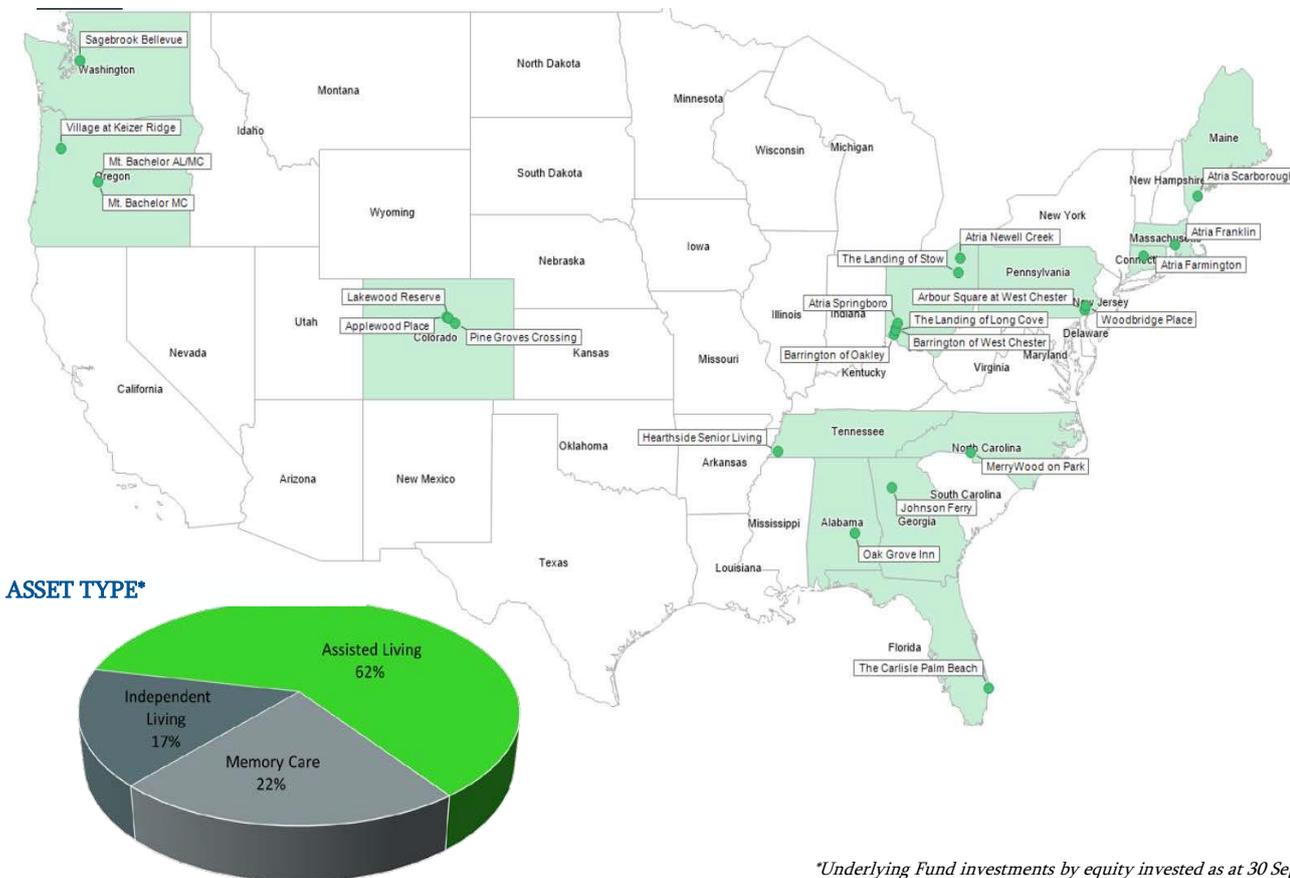
*1. Assumes investment on the date of the first issuance of units i.e. 3rd March 2017*

**FUND DETAILS**

<b>Fund Size (AUDm):</b>	\$65.84
<b>APIR Code:</b>	ETL1507AU
<b>Commencement:</b>	17 February 2017
<b>Zenith Research Rating:</b>	Recommended (Original rating, now lapsed as closed)
<b>Unit Price:</b>	\$1.3021
<b>Distribution Frequency:</b>	Annually as at 30 June
<b>Liquidity:</b>	Nil - Closed-ended fund
<b>2018 Distribution (CPU):</b>	0.6764 + 0.00 FITOs

<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>	0.60% 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

**REGIONAL BREAKDOWN\***



**MONTHLY UPDATE**

Negatively affecting the unit price during the month of November was the net 0.74% decrease across the portfolio in the total book value of Bridge Seniors II assets recorded for Q3. Also, negatively affecting the unit price during the month of November was the 2.94% increase in the value of the Australian dollar against the USD dollar from US\$0.7088 to US\$0.7303. The Fund does not hedge currency exposure.

The Unit Price reflects the Q3 Underlying Fund Net Asset Values as at 30 September 2018. Underlying Fund performance since inception is summarised below which is US Dollar denominated and thus excludes the impact of currency movements.

**Underlying Bridge Seniors Housing II Investment / J-Curve Dashboard**

*As at Q3, 30 September 2018 - US Dollar denominated*

Metric	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Committed Capital (USD)	\$49.5M	\$49.5M	\$49.5M	\$49.5M	\$49.5M
Invested Capital %*	12.0%	12.0%	12%	20.3%	20.3%
IRR on Called Capital	N/A	N/A	N/A	N/A	N/A
Equity Multiple on Called Capital	N/A	0.88x	0.89x	0.90x	0.89x

*\*Invested Capital as a percentage of Committed Capital*

**Q3 INVESTOR LETTER**

*Note: All dollar amounts and performance returns quoted are US Dollar denominated.*

Thank you for your support of the Bridge Seniors Housing & Medical Properties Fund II LP (“Bridge Seniors Fund II” or the “Partnerships”). We are pleased to share with you the Quarterly Report for the period ending September 30, 2018.

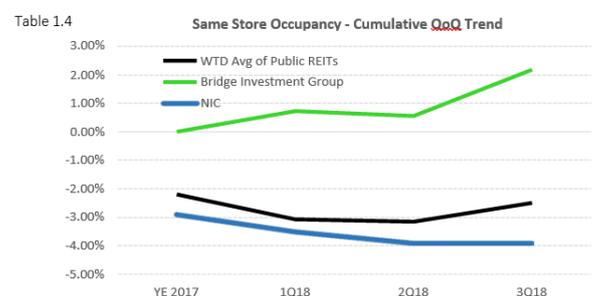
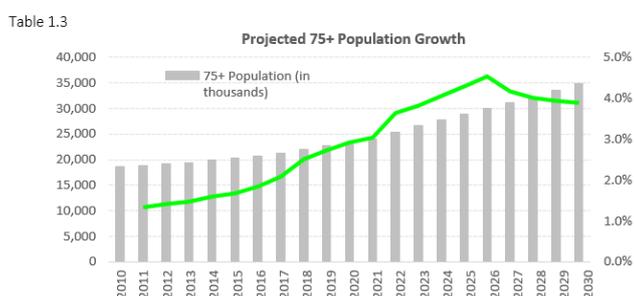
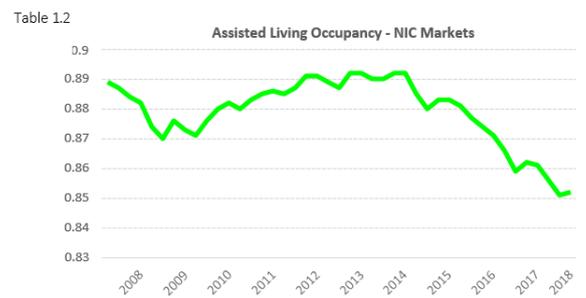
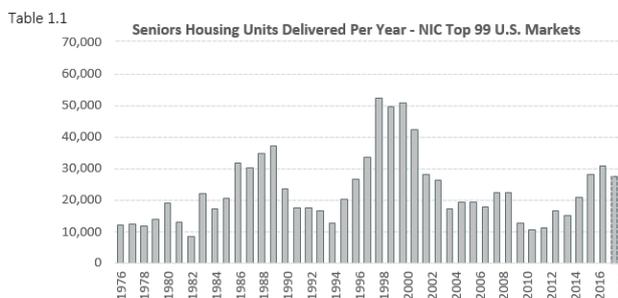
**VIEWS ON THE SENIORS HOUSING MARKETS**

Bridge’s seniors housing strategy is positioned to benefit from the confluence of aging baby boomers beginning to need or elect service-enriched seniors housing, high U.S. economic growth, a robust labor market, and moderately low interest rates.

Real gross domestic product increased at a rate of 3.5% in the third quarter, and the last six months of growth were the fastest two consecutive quarters in the last four years (Bureau of Economic Analysis & U.S. Department of Commerce, as of 2018 Q3). Employment also sustained moderate growth, with an average of 190,000 jobs created per month this past quarter (Bureau of Labor Statistics, as of 2018 Q3). While interest rates have increased, they continue to remain within Bridge’s expectations, and while naturally depressing distributable cash flow, have not been detrimental to our overall financing activities. Despite eight Federal Reserve interest rate increases since the end of 2015, U.S. cap rates remained flat or down in the third quarter of 2018 in Commercial Real Estate Markets (Real Capital Analytics, 2018 Q3). In October, the economic expansion became the second- longest running expansion in U.S. history. At 112 months, the current expansion may break the 120-month record set from 1991 to 2001 (National Bureau of Economic Research). That said, this recovery has been the slowest-growing recovery since WWII, and GDP has grown only 23.3% from the most recent trough, which is less than the average trough-to- peak GDP gain of 25.13% in prior recessions, and we are well below the 42.5% achieved during the 1991-2001 recovery (U.S. Bureau of Economic Analysis and Moody’s Analytics, as of 2018 Q3).

While the U.S. economy remains strong, the seniors housing market has experienced a national decline in occupancy, primarily stemming from significant inventory growth over the last three years, with delivery of seniors housing in the NIC 99 top markets hitting a recent peak in 2017 (Table 1.1). As seen in the occupancy chart below, industry occupancy has fallen to just over 85% (Table 1.2). Absorption of supply remained strong at 2.3%, and construction starts continued to slow to just under 6% of supply during the quarter. With tightening credit markets limiting new development and the prospect of a rapidly growing 75+ market associated with the baby boomers, absorption is expected to continue and accelerate. Rent growth for the industry rose to 2.9% annualized during the quarter, ahead of the U.S. inflation rate of 2.3% at the end of the quarter.

For our third-party managers who staff and manage our properties, the strong employment market and seniors housing supply growth has put pressure on the labor market, with talent sourcing and development becoming a key focus. As a result, labor costs grew 5.1% year-over-year in assisted-living hourly wages, putting additional pressure on operating cash flows. We have found that these pressures are driving significant distinctions between our third-party managers in their ability to execute our plans. While much of our portfolio lies outside the geography of the supply growth, this paradigm of industry growth coupled with a tight labor market has diluted the trained talent pool at the property and middle management level, regardless of geography. Bridge is responding by creating programs, information and, in some cases, temporary staffing, to build productivity, particularly in sales and marketing. Bridge is also evaluating other opportunities to deliver results to our investors with more direct links to and control of the managers selected to operate the communities.



Bridge Seniors Fund II has limited exposure to the markets with highest concentrations of supply growth, and experienced positive Same Store occupancy growth over the last year of 2%, which is 4% higher than the Same Store information for our public company competitors, and also compares well to the National Investment Center occupancy changes (Table 1.4). The unprecedented long-term demographic trends continue to lend confidence to long-term demand and, as long as supply remains in check, we expect to see occupancy growth as the population ages. We would note that the first baby boomers will begin to turn 75 in 2021, with the 75+ population continuing to grow significantly for the next 20 to 30 years (Table 1.3). This population continues to strengthen, as the number of seniors grows from 19.84 million in 2014 to 26.56 million in 2023.

#### INVESTMENT ACTIVITY & OPERATIONAL UPDATE

As of September 30, 2018, Bridge Seniors Fund II has called 20% of the Partnerships' available capital, and made 22 investments in 12 states across the U.S. The 2,500 units across these 22 investments have a total capital allocation of \$700 million and are projected, based on our assumptions, to yield an average three-year cash-on-cash return of 8%, and an asset-level 18% IRR on invested equity.

During the quarter ending September 30, 2018, Bridge Seniors Fund II acquired five properties, and acquired one additional property after the end of the quarter. Additionally, Bridge Seniors Fund II has identified, contracted and performed due diligence on three seniors housing portfolios consisting of 16 properties (2,200 units). Those 16 properties are expected to close by the end of the year or early in 2019, and represent \$670 million of total capital allocation. We look forward to providing more detail on Q4 closed investments in our Q4 report.

The properties acquired in Q3 are:

- Mt. Bachelor MC, a 56-unit Memory Care seniors housing community located in Bend, OR
- Mt. Bachelor AL/MC, a 100-unit Assisted Living and Memory Care seniors housing community located in Bend, OR
- The Village at Keizer Ridge, a 126-unit Assisted Living and Memory Care seniors housing community located near Salem, OR
- Arbour Square of West Chester, a 149-unit Independent Living, Assisted Living, and Memory Care seniors housing community in Philadelphia, PA
- Pine Grove Crossing, a 131-unit Assisted Living and Memory care seniors housing community in Denver, CO The property acquired in Q4 is:
- Sagebrook Senior Living, a 108 unit Assisted Living and Memory Care seniors housing community located in Bellevue, WA

While the market remains competitive, we continue to source high-quality deals in excellent markets and maintain a significant pipeline of new acquisition opportunities. It is important to note that aggressive market pricing has been a limiting factor in our deal-sourcing. For example, transactions pursued in 2018 and acquired/contracted by others reflected average valuations of over \$500,000 per unit, with total returns well below our historical thresholds.

In spite of that competition, we continue to succeed in certain markets with individual properties and also find ourselves increasingly competitive on portfolios that smaller investors cannot fund. Looking forward, we anticipate investing at a pace that results in approximately 90%-93% of capital called through 2020. As a result of the portfolio acquisition activity mentioned above, a capital call of 30% of commitments will occur in early December 2018. Capital calls of 6%-8% per quarter should be expected thereafter.

As the portfolio matures, we will continue to draw on the seasoned capabilities of our asset management team, which often allocates resources to assist our third-party managers as they mature and deal with growth and talent issues. Bridge's actions include evaluating and implementing many new programs designed to add value and to help our third-party managers to more quickly identify and correct performance issues and to achieve our mutual performance goals. Most notably, Bridge's asset management team has sponsored sales training for 110 of the sales & leadership personnel at our communities, which we believe is a first for a private equity fund manager. Other programs related to sales staff, sales training and lead generation are all underway. Given our observations of our assets and the competitive occupancies in their submarkets, we remain confident that we will see occupancy growth and more attractive cash flow from the portfolio as these efforts take hold. We believe the portfolio assembled reflects strong financial metrics, and Bridge Seniors Fund II is well-positioned to deliver attractive risk-adjusted returns, with good cash flow early in the life of the Fund and great assets in high quality markets.

We appreciate your support as our Partner and are gratified by the progress we have been able to achieve to date in Bridge Seniors Fund II. We look forward to continued success. If you have any questions regarding Bridge Seniors Fund II or your investment, please do not hesitate to contact Spire Capital on 02 9377 0755.

With Best Regards,



Phillip Anderson  
Chief Investment Officer  
Bridge Seniors Housing & Medical Properties Fund II

**SPIRE FUNDS CURRENTLY OPEN FOR INVESTMENT:**

**Spire USA ROC IV Fund (AUD)**

PDS ([click to download](#))

Interactive Application Form ([click to download](#))

Zenith Research Report: "Recommended" ([click to download](#))

Fact Sheet ([click to download](#))

**CLOSE DATE: 30 June 2019 (subject to allocation)**

**EVP Fund II**

Information Memorandum ([click to download](#))

Interactive Application Form ([click to download](#))

**CLOSE DATE: 21 December 2018**

**Spire USA ROC Office Fund I (AUD)**

*Unit Class of the Spire USA ROC IV Fund (AUD)*

PDS ([click to download](#))

Interactive Application Form ([click to download](#))

Zenith Research Report: "Recommended" ([click to download](#))

Fact Sheet ([click to download](#))

**CLOSE DATE: 21 December 2018**

It is expected that the Funds will be available on major platforms. For further information please contact either Dale Holmes on 0401 146 106 or Chris Niall on 0419 011 628.

**CONTACT US**

For further information please:

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

**Important Information**

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