

SPIRE GLOBAL PRIVATE REAL ESTATE
**SPIRE USA ROC SENIORS HOUSING AND
 MEDICAL PROPERTIES FUND II (AUD)**
 MONTHLY FACTSHEET - MARCH 2019



MONTHLY UPDATE

Negatively affecting the unit price during the month of March was the net 3.74% decrease across the portfolio in the total book value of Bridge Seniors II assets recorded for Q4. Also positively affecting the unit price during the month of March was the 0.15% decrease in the value of the Australian dollar against the USD dollar from US\$0.7115 to US\$0.7103. The Fund does not hedge currency exposure.

The Unit Price reflects the Q4 Underlying Fund Net Asset Values as at 31 December 2018.

PERFORMANCE (NET OF FEES)

Ordinary Unit Class as at 31 March 2019

Based upon underlying fund data as at 31 December 2018

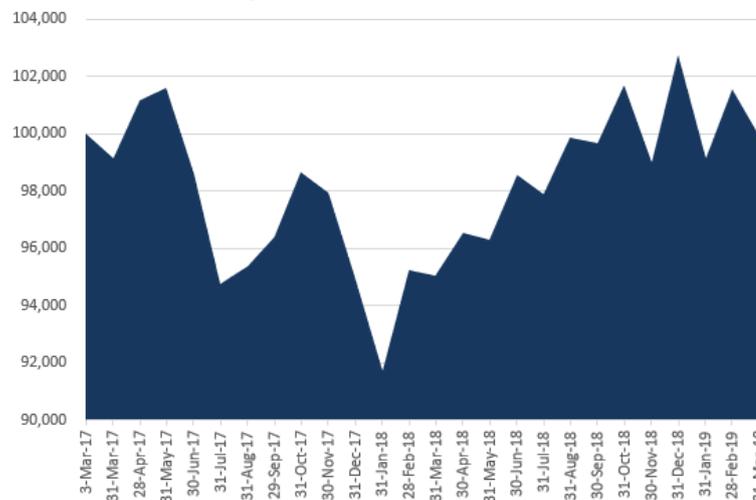
	1 month	3 months	1 year	5 years	Inception (p.a)
Net returns	-1.55%	-2.70%	5.17%	N/A	-0.01%

Monthly Unit Price Movement Breakdown	
Underlying investment	-1.61%
Foreign exchange	0.15%
Management fees	-0.04%
Other income and expenses	-0.05%
Total Movement	-1.55%

Unit Price as at 31 March 2019	
Unit price (excluding FITOs)	\$1.3149
Est. FITOs	\$0.0013
Unit price plus est. FITOs	\$1.3162

Asset Allocation as at 31 March 2019	
Cash AUD	0.01%
Cash USD	52.55%
Investments USD	47.44%

GROWTH OF AUD 100,000 INVESTMENT¹



*** 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.

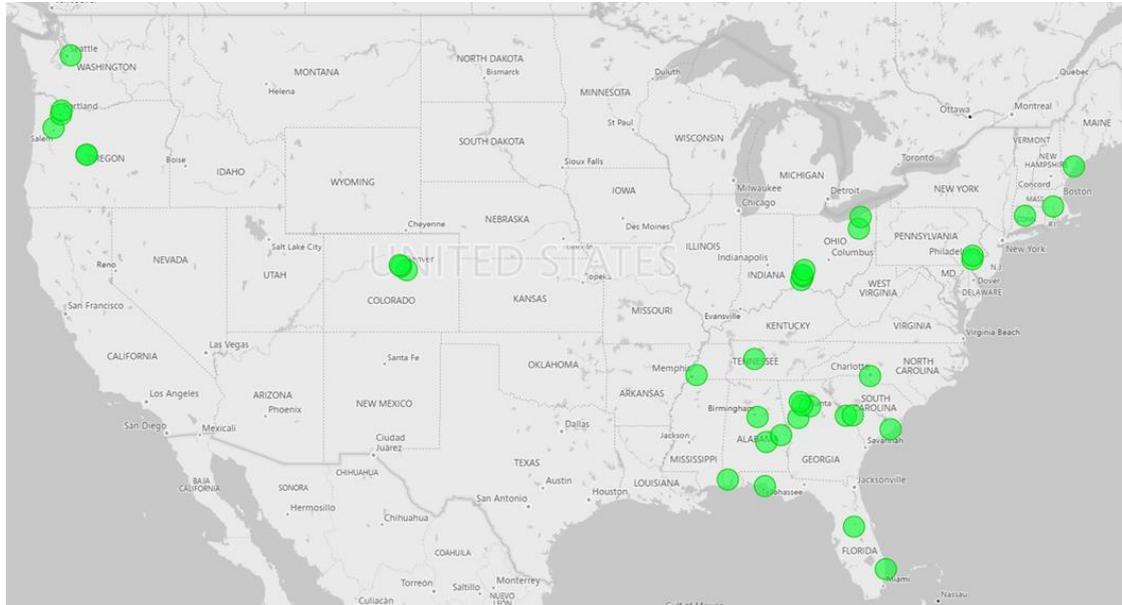
1. Assumes investment on the date of the first issuance of units i.e. 3rd March 2017

FUND DETAILS

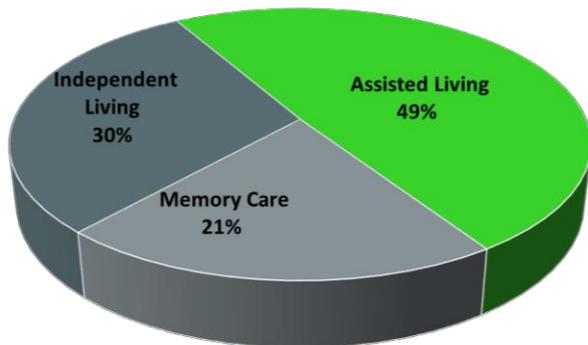
Fund Size (AUDm):	\$66.48m
APIR Code:	ETL1507AU
Commencement:	17 February 2017
Zenith Research Rating:	Recommended (Original rating, now lapsed as closed)
Unit Price:	\$1.3149
Distribution Frequency:	Annually as at 30 June
Liquidity:	Nil - Closed-ended fund
2018 Distribution (CPU):	0.6764 + 0.00 FITOs

Fund Manager:	Spire Capital Pty Limited
Investment Manager:	Bridge Investment Group, LLC
Responsible Entity:	Equity Trustees Limited
Base Management Fee:	0.60% p.a. x NAV
Underlying Fees:	2% of committed equity
Underlying Performance Fee:	20% of realised profits after an 8% preferred return is paid to Limited Partners.
Application Status:	CLOSED

REGIONAL BREAKDOWN*



ASSET TYPE*



**Underlying Fund investments by equity invested as at 31 December 2018*

Q4 INVESTOR LETTER FROM BRIDGE INVESTMENT GROUP

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

Thank you for your support of Bridge Seniors II Funds together with its parallel vehicles, (“Bridge Seniors Fund II” or the “Partnerships”). We are pleased to share with you the Quarterly Report for the period ending December 31, 2018.

VIEWS ON THE SENIORS HOUSING MARKETS

Bridge Seniors Housing Fund Manager LLC (“Bridge”) is implementing a strategy that 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.

As we exit the fourth quarter of 2018, Bridge’s target markets continue to post strong fundamentals bolstered by a strong and growing U.S. economy, and a stable financing environment. Real gross domestic product growth is estimated at an annualized rate of 2.6% in the fourth quarter (Bureau of Economic Analysis, as of 2018 Q4). While this growth rate breaks the six-month trend of above 3% growth, the quarter’s growth remains above the current expansion’s average of 2.3%. Employment has also sustained significant growth with an average of 223,000



jobs created per month in 2019 with strong employment growth late in the year (Bureau of Labor Statistics, with revised estimates as of March 2019). As of today, the economic expansion remains the second-longest running expansion in U.S. history. At 116+ months, the current economic expansion is poised to break the 120- month record set from 1991 to 2001 (National Bureau of Economic Research, as of March 2019). That said, the current expansion has been the slowest-growing recovery of the 11 since WWII. Although GDP has grown 24.1% since the last trough, we have yet to reach the average trough-to-peak gain of 25.13%, and we are well below the 42.5% gain achieved in the 1991-2001 expansion (U.S. Bureau of Economic Analysis and Moody's Analytics, as of 2018 Q4). This slow and steady growth suggests the expansion may have further to run.

The Federal Reserve has moderated its position on interest rate hikes following signals of tempered growth in the economy, low inflation, and tight labor markets. With an additional increase in December 2018, the FOMC lowered expected 2019 hikes from three to two, and most recently kept rates flat in recognition of some of the factors mentioned above. The reprieve from interest rate hikes provides flexibility to Bridge's financing activities. Notwithstanding eight interest rate moves since 2016, cap rates across sectors remained flat or down in the fourth quarter of 2018 in Commercial Real Estate Markets (Real Capital Analytics, 2018 Q4).

The seniors housing market experienced a national decline in occupancy, primarily stemming from significant inventory growth over the last three years. However, delivery of seniors housing in the NIC 99 top markets hit 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), however average occupancy ticked up slightly from Q3 2018 to Q4 2018. Absorption of supply remained solid at 2.5%, and construction starts continued to slow to 5.8% of supply during the quarter. With tightening credit markets limiting new development and the prospect of a rapidly growing 75+ year old market associated with the baby boomers, absorption is expected to continue and accelerate. Rent growth for the industry rose to 3.0% annualized during the quarter, ahead of the U.S. inflation rate of 1.9% 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 3.7% in assisted-living hourly wages in 2018, putting additional pressure on operating cash flows. The influences of supply growth and labor headwinds are key factors in our investment decisions and asset management focus. From an investment perspective, the Bridge Seniors Fund II properties have a median age of approximately five years and have property characteristics that are competitive with new supply. Furthermore, we have focused on primary and secondary markets that can support rate growth of 3% or higher. With respect to asset management, we continuously review and assess variable staffing models and use creative approaches to support operators with recruiting and hiring. In some cases, we provide temporary staffing for openings in sales and marketing. Bridge also acquired a Seniors Housing property management company in December 2018 (Somerset Senior Living Services, LLC), and anticipates that this vertical integration option will allow for better diagnostics of declining performance, accelerated transition of underperforming third-party managers, more direct control of sales and marketing processes, and greater opportunities to deliver results to our investors.

Table 1.1

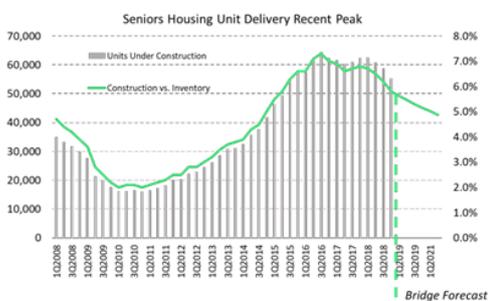


Table 1.2

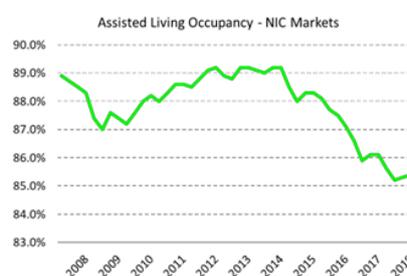
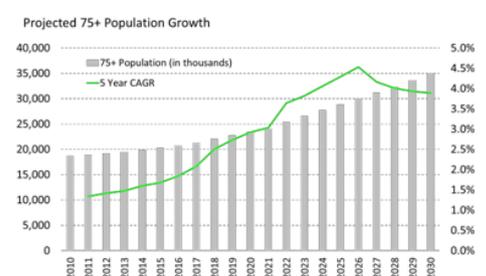


Table 1.3



Source: NIC Map Data Services

The unprecedented long-term demographic trends continue to lend confidence to long-term demand. As you can see from the charts above, the first baby boomers will begin to turn 75 in 2021, with the 75+ year old 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 December 31, 2018, Bridge Seniors Fund II has called 50% of the Partnerships' available capital based on investments in 37 properties across 14 states and including approximately 4,400 units. The investments have a total capital allocation of \$1.2 billion and include a blend of stabilized and value-add property profiles. In 2018, the overall fund distributions equaled nearly 5% of invested capital. Distributions are anticipated to increase as value-add properties stabilize, although some volatility may occur during the balance of the deployment window. The investments to date are projected, based on base case assumptions, to achieve an asset-level IRR of 17%.

During the quarter ending December 31, 2018, Bridge Seniors Fund II acquired 15 properties, and acquired two additional properties after the end of the quarter. The properties acquired in Q4 are:

- Sagebrook, a 108-unit AL/MC seniors housing community located in Bellevue, WA
- Hawthorne Gardens, a 58-unit AL/MC seniors housing community located in Portland, OR
- Vancouver Pointe, a 127-unit IL seniors housing community located in Vancouver, WA
- Benton House of Woodstock, a 62-unit AL seniors housing community located in Woodstock, GA
- Benton House of Grayson, a 62-unit AL seniors housing community located in Grayson, GA
- Benton House of Clermont, a 66-unit AL seniors housing community located in Clermont, FL
- Benton House of Augusta, a 76-unit AL seniors housing community located in Augusta, GA
- Somerby Summer Village at Auburn, a 197-unit IL/AL/MC seniors housing community located in Auburn, AL
- Somerby St. Vincents One-Nineteen, a 199-unit IL/AL/MC seniors housing community located in Birmingham, AL
- Somerby Franklin, a 208-unit IL/AL/MC seniors housing community located in Franklin, TN
- Somerby Mobile, a 221-unit IL/AL/MC seniors housing community located in Mobile, AL
- Somerby Mount Pleasant, a 251-unit IL/AL/MC seniors housing community located in Mount Pleasant, SC
- Somerby Peachtree City IL, a 110-unit IL seniors housing community located in Peachtree City, GA
- Somerby Peachtree City AL, a 96-unit AL seniors housing community located in Peachtree City, GA
- Somerby Santa Rosa Beach, a 76-unit AL/MC seniors housing community located in Santa Rosa Beach, FL

The properties acquired in Q1 2019 are:

- Somerby Sandy Springs, a 200-unit AL/MC seniors housing community located in Atlanta, GA
- Benton House Aiken, a 75-unit AL/MC seniors housing community located in Aiken, SC

A notable investment in Q4 2018 was the Somerby portfolio. This portfolio consists of eight properties that feature a uniquely positive combination of asset quality, market quality, historical performance, and operational quality. Alongside of the portfolio investment, Bridge Seniors Housing Fund Manager acquired Somerby Senior Living Services ("Somerby") who will continue to operate the portfolio. Somerby is a prominent management company in the Southeast, and as of March 1, 2019 Somerby managed 13 communities with an average occupancy of 94%. This vertical integration of an operating platform will enhance Bridge's ability to maximize performance in the Somerby portfolio acquired by Bridge Seniors Fund II, as well as allow for the accelerated transition of underperforming third-party managers, more direct control of sales and marketing processes, and create greater opportunities to deliver results to our investors.

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. The competition is most intense for quality assets in quality markets. However, this category of assets remains attractive from a risk adjusted return perspective. Value add investments will continue to be a key focus of our sourcing efforts through the balance of the deployment window. 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 approximately 8% of commitments will occur in April or May 2019. Capital calls of 6%-10% per quarter should be expected thereafter.

As the portfolio matures, we will continue to draw on the seasoned capabilities of our Somerby operating platform and 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 180 of the sales and leadership personnel at our communities. 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.

The performance summary for Q4 identifies a negative net IRR, which is common in the early deployment stages of a fund, due to 20 of 37 properties held at cost minus transaction costs and fund expenses during the quarter. We anticipate the net IRR will move positively in Q2 2019, as we mark this portfolio of properties to fair market values. 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 9047 8800.

With Best Regards,

A handwritten signature in blue ink, appearing to read "Phillip Anderson", written over a horizontal line.

Phillip Anderson
Chief Investment Officer
Bridge Seniors II Funds

OVERVIEW

The Fund was established in 2017 and acts as an unhedged Australian feeder fund into the assets 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.

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)

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

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Important Information

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