MONTHLY UPDATE

SPIRE USA ROC II FUND (AUD)
December 2016

Key Fund Details
APIR Code: ETL0371AU
Responsible Entity: Equity Trustees Limited
Commencement: 1 July 2013
Fund Size: A$55.95 million
Rating: Highly Recommended (Zenith Investment Partners)
Application Status: CLOSED

Ordinary Unit Price and Performance (Net of Fees)
as at 31 December 2016 based upon underlying fund data as at 30 September 2016

<table>
<thead>
<tr>
<th>Unit Price (Cum):</th>
<th>$1.4082</th>
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<tbody>
<tr>
<td>one month:</td>
<td>3.92%</td>
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<tr>
<td>Rolling 3 months:</td>
<td>7.46%</td>
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<tr>
<td>Rolling 6 month:</td>
<td>9.89%</td>
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<tr>
<td>Rolling 12 month:</td>
<td>13.22%</td>
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<tr>
<td>FYTD:</td>
<td>9.89%</td>
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<tr>
<td>Since Inception:</td>
<td>84.06%</td>
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<tr>
<td>Since inception (p.a):</td>
<td>19.02%</td>
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Fund Profile
The Fund acts as an unhedged Australian feeder fund into the assets of Real Estate Opportunity Capital Fund, LP ("ROC II"). ROC II is a US$600 million (equity) value-add “buy, fix, sell” private equity real estate fund, investing in value-add US multifamily apartment communities and office buildings.

The Fund owns a 5.88% share of a diversified portfolio of ‘value-add’ real estate assets across the US. As at the date of this update, the ROC II portfolio had invested in 52 multifamily apartment communities and 9 office buildings, and of these 11 have now been sold at an average 22.2% net IRR and 1.38x multiple on invested equity. US$1.9 billion in assets remain, which will also be progressively sold down during the ‘harvest period’ as each asset's value has been maximised and stabilised.
Monthly Update

This is the first month that the unit price for the Fund is based upon the underlying Fund’s Q3 valuations, as at 30 September 2017. The Fund’s investment in the underlying fund increased 1.99% in USD terms between Q2 and Q3, as cash flow and valuations continued to increase.

Also positively affecting the Unit Price during the month of December was the 1.99% decrease in the value of the Australian dollar against the USD dollar from US$0.7388 to US$0.7241. The Fund does not hedge currency exposure.

Q3 Update from the Chief Investment Officer of the Investment Manager

Dear Partner,

We are pleased to share with you the Real Estate Opportunity Capital Fund II LP (“ROC Multifamily & Office II Funds” or the “Partnership” or the “Underlying Fund”) quarterly report for the period ending September 30, 2016. In this letter, we provide our views on the multifamily and commercial office markets.

VIEWS ON THE MULTIFAMILY AND COMMERCIAL OFFICE MARKETS

In the third quarter of 2016, the national multifamily market continued to move in a positive direction, with rent growth of 1.0% (4.0% annual pace) in both Class A and Class B space. “Bridge Target Markets” experienced an even greater rent growth than the national average during the quarter, while vacancy rates remained at historically low levels of 3.0% for Class B space. Despite the positive results year to date, the increased rate of deliveries in the multifamily market, particularly in the Class A space, is likely to moderate the year end rent growth numbers compared with the historically high rent growth that we experienced in 2015. While we do anticipate a reduction in the rate of increase in market rent growth, we remain very optimistic about our market niche as owners of Class B value-add multifamily assets in high growth markets throughout the United States. Furthermore, we believe the demographics continue to favour the multifamily marketspace, and should remain somewhat insulated from the new deliveries hitting the market due to accelerated renter household formation from seniors’, millennials’, and immigrants’ who continue to increase demand for quality housing at less-than-luxury rent levels. Finally, the continued decrease in the rate of home ownership, along with continued moderate levels of affordable single family development continue to further bolster our investment thesis.

The U.S. commercial office market enjoyed another strong quarter in Q3 due to continuing office-using employment growth throughout the country. Real GDP growth grew at an annual rate of 2.9%, making it the strongest quarter of GDP growth since Q3 of 2014. At the industry level, creative and digital content and services remain the leaders in leasing growth, and although the gateway markets continue to have strong leasing activity, secondary markets such as Seattle, Atlanta, and Dallas also experienced very strong leasing and absorption during the quarter. Overall, rents grew by 0.7% (2.8% annual pace) during the quarter for Class B space, according to CoStar Analytics, outpacing Class A space’s 0.6% (2.4% annual pace) rent growth. Growth is projected to remain at these levels for the near to medium term. Despite the headwind provided by political uncertainty, we are encouraged to see job growth and leasing activity remain steady. Construction in most markets, although growing slightly, remains well below historical averages due to rents remaining far below “replacement rents” in most submarkets. In fact – in the markets that Bridge actively targets for office assets, completions as a % of inventory are at only 0.4% in 2016, much lower than the 2.2% average during the 2000’s and much lower than the current national average of 1.1%. These conditions continue to support our investment thesis of finding great office assets in markets with substantial office-using employment growth that will require significant tightening and rent growth before any meaningful amount of new supply can enter the market.

As of September 30, 2016, ROC II had invested 96.2% (or $573 million of total equity) of its available equity into 52 multifamily housing communities (17,979 units) and nine commercial office assets (2,086,815 ft2). The Partnerships
currently have a gross asset value estimated at $2.0 billion and have generated a 24.3% net IRR and a 1.80x net multiple on invested equity to date. Of ROC Multifamily & Office II Funds’ 61 investments, 13 investments have been realised as of the end of the quarter – returning a 22.9% net IRR and a 1.43x net multiple on invested equity.

**DISPOSITION ACTIVITY DURING THE QUARTER**

During the quarter ending September 30, 2016, ROC Multifamily & Office II Funds realised two assets:

- **The Preserve Apartments** - a 530 unit apartment project in Houston, Texas, closed on July 1, 2016 resulting in an estimated gross IRR of 31.3% and a multiple of 1.77x;

- **Mission Fall Apartments** - a 228 unit apartment community in Houston, Texas, which is 52.4% owned by the underlying fund, closed on August 15, 2016, resulting in a gross IRR of 41.2% and a multiple of 3.79x.

As of September 30, 2016 the Partnership still owned 48 assets, all of which we are targeting for final liquidation by the end of 2017. We have 21 of the 48 assets remaining in the Fund II portfolio under contract to sale, most of which having non-refundable earnest money, and scheduled to close by year end. Of these 21 assets 16 are in the Blackstone portfolio sale totalling $748 million, and achieving an estimated gross IRR of 34%, and 2.15x multiple for the Fund. We expect these liquidations should provide all of our Fund II investors their full return of original investment capital, and profit that should approach the 8% annualised preferred return. There are another 9 assets well into the marketing phase which we anticipate will close in the first quarter of 2017. We hope to liquidate the remaining 18 assets by year end 2017. As has been our consistent practice since ROC Multifamily & Office II’s inception, we will continue to make distributions of current operating cash flow on a quarterly basis through the remaining life of the Partnership. We look forward to continued strong cash flow, distributions, and realisations over the remaining harvest period.

Thank you, once again, for your support of ROC Multifamily & Office II Funds. If you have any questions regarding the Partnerships or your investment, please do not hesitate to contact us.

With Best Regards,

Danuel Stanger  
Chief Investment Officer  
Bridge Investment Group Partners

**Manager Profiles**

Bridge Investment Group Partners, LLC is the US based Investment Manager of the Fund. Bridge IGP is a specialist US real estate and real estate funds manager with over US$6.7 billion in assets under management. Bridge IGP 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 IGP 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. Bridge uses this operating platform to add value through superior property value management.

Spire Capital Pty Ltd is the Australian Fund Manager. Spire via its Global Investment Series democratises and structures leading global institutional quality investment opportunities for the Australian private wealth and SMSF market.
Spire Capital and Bridge Investment Group Partners were nominated as one a finalist in Zenith Investment Partners’ 2015 Fund Manager of the Year Award in the Direct Property category.

For further information please contact Spire capital on (02) 9377 0755 or via email info@spirecapital.com.au.