

Quarterly Update

Spire Aero Aggregates Fund (AUD) ('the Fund' a unit class of Spire Capital Master Fund) is a feeder fund for Australian investors to access Aero Aggregates of North America, LLC ("Aero"). The Fund invests in Aero via an underlying investment entity (Valterra Aero Holdings LLC) created and controlled by Valterra Partners LLC ('Valterra'), a specialist lower mid-market private equity firm based in New York. The team was formerly investing Macquarie Bank Balance Sheet assets in growth equity investments in the US. The Fund is invested pari passu with Valterra's interest in Aero.

Given the Fund's completion of its capital raising period, this month's unit price is the first month for which the Fund's unit price is based upon the Fund's Net Asset Value. The Fund successfully raised AU\$12,293,250 in total applications and issued partly paid units. In November 2019, the Fund issued a capital call notice calling 90% of capital commitment.

Positively affecting the unit price was the net 9.76% fall in the value of the Australian dollar since 6 December 2019 (date of investment to Underlying Fund), from US\$0.6843 to US\$0.6175. The Fund does not hedge currency exposure. Negatively affecting the unit price is the recognition of the Fund's formation expenses for the first time in striking this month's unit price.

The Underlying Fund is valued at cost at the value dated 6 December 2019. The Underlying Fund valuation will remain at cost for 18 months from date of investment.

Trading Update

Since the Fund's investment, Aero has continued to see robust demand and as such has accelerated the Capital Expansion (Capex) plan including bringing forward plans for a second facility. Valterra projected the business hitting 145k cubic yards of material in the first 12 months of the investment. This represented a 7x increase in volume over the prior 12 months of 20k cubic yards. We are now 8 months into Valterra's investment and the Company has started shipping 135k cubic yards of projects. Aero is exceeding expectations in terms of contracted volumes but given the nature of the projects shipping, there is a lag in revenue recognition. Valterra is confident that revenue, EBITDA and margin growth will cycle through as the company continues to scale.

Eddystone Facility

Eddystone is in Pennsylvania and is the corporate headquarters for Aero. Kiln 3 has been delivered to the Eddystone plant and is expected to be fully operational producing Foam Glass Aggregate (FGA) by April 2020. With the addition of kiln #3, the total capacity at Eddystone will increase by 80k cubic yards from 160k Cubic yards to 240k Cubic yards per annum. Importantly, this will improve operating margins as economies of scale significantly.

Second Facility

Aero has accelerated the purchase of kilns #4 and #5 and a second ARGO Mill in line with bringing forward plans for a second facility. Without adding additional kilns, Aero expects that it will outsell its current capacity by the end of 2020 just based on the jobs currently in the pipeline. Kiln #5 order comes almost a year ahead of schedule with the management team believing this is a necessity given the increasing demand in the market and several large jobs in the pipeline. The team has focused in on the Southeast as an attractive market for expansion and has found an excellent site in Ocala, FL (north of Orlando). The combination of proximity to soft soil regions on the Atlantic Coast, Florida and the Gulf of Mexico, presence of large population centres, infrastructure budgets, glass supply and cheap transportation make the Southeast a prime market for Aero. The Ocala facility is expected to be operational by Q1 2021. See map below.

Customer Acquisition

Since Valterra's initial investment, Aero has been approved in 7 additional states, bring the total to 13 state Department of Transport's (DOT's) that have signed off on Aero's materials (see selection of DOT's pictured below).

COVID-19 Update

During March, Governor Tom Wolf of Pennsylvania issued a decree ordering all "non-life sustaining" business in the state of Pennsylvania to close on 20 March with some exceptions. Fortunately, Aero was not impacted by the decree. Aero is deemed 'essential' as the company is shipping material to projects that are critical to the national transportation infrastructure. All corporate staff are working from home and it's only production staff that are currently working (typically six people per shift). The kilns are still operating and producing FGA and Aero continues to ship material.

Outlook

Valterra and the management team are focused on executing the business plan. In addition to the Capex Plan, the team is specifically focused on 3 work streams

1. **Talent acquisition** - New Regional Sales Manager for the Northeast, Benjamin Cote started on 1 March 2020. New Plant Maintenance Manager started in March, 2020 at Eddystone plant. Team is currently looking to hire next sales manager in Southeast, candidates have been identified and interviews are underway. Aero will begin hiring for the second facility in Florida in the coming months.
2. **Glass Supply** - Aero team are working on the optimization of the glass supply with various suppliers. This includes managing trade-off between clean glass (more expensive, less wear and tear on machinery and waste) vs dirty glass (less expensive, more wear and tear on machine and waste).
3. **Debt Financing** – the team is currently evaluating options with various lenders to optimize the capital structure as the capex plan is accelerated.



Performances (Net of Fees)

As at 31 March 2020

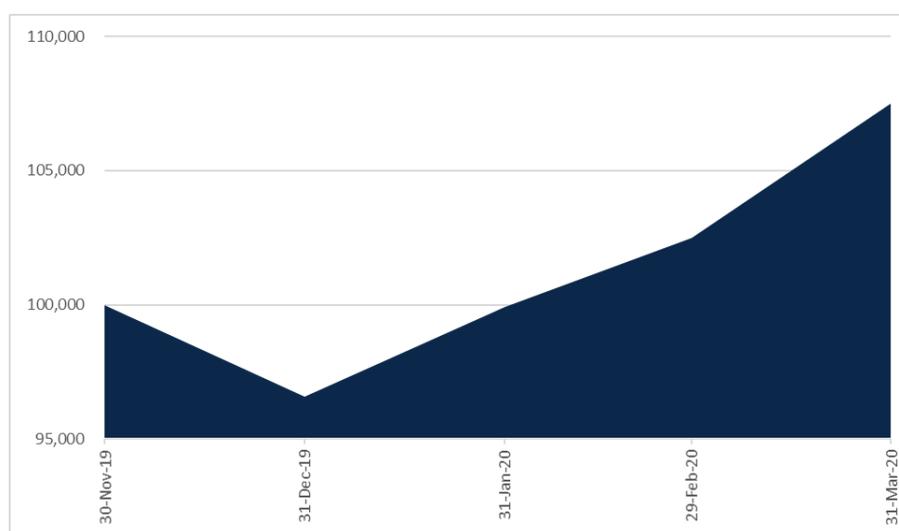
Underlying fund is valued at cost

1 month	3 months	6 months	1 year	3 years (p.a)	Inception (p.a)
N/A	N/A	N/A	N/A	N/A	7.51%

Asset Allocation as at 31 March 2020	
Cash AUD	2.91%
Cash USD	0.00%
Investments USD	97.09%

Unit Price Movement Breakdown	
Underlying investments (incl. cash and distributions)	0.00%
Foreign exchange	8.85%
Management fees	-0.17%
Sourcing and structuring fees	-0.46%
Legal and tax formation expenses	-0.59%
Other expenses	-0.12%
Total Movement	7.51%

Growth of AU\$100,000 Investment*



Past performance is not an indicator of future performance.

*Unit Price and performance do not include the value of Foreign Income Tax Offsets (FITOs) which may be distributed in addition to cash.

Fund Details

Fund Size (AUDm):	\$13.22m	Fund Manager:	Spire Capital Pty Limited
APIR Code:	SPI8236AU	Investment Manager:	Valterra Partners LLC
Commencement:	15 November 2019	Trustee:	Spire Capital Pty Limited
Unit Price:	\$1.0751	Base Management Fee:	0.50% p.a. x NAV
Distribution Frequency:	Annually as at 30 June	Underlying Fees:	2% of committed equity
Application Status:	CLOSED	Underlying Performance Fee:	20% of realised profits after an 8% preferred return is paid to Limited Partners.
Liquidity:	Nil - Closed-ended fund		

Fund Overview

Aero is a manufacturer of lightweight foamed glass aggregate (“FGA”), a product that contains the same compressive strength as traditional gravel but is ~10% of the weight. With a 25-year track record in Europe, Aero introduced FGA into the USA market in 2016 and has quickly gained traction in infrastructure construction end-markets (primarily roadbuilding) through its proven ability to dramatically reduce costs and provide other project benefits due to its lightweight properties.

Aero produces FGA in the USA utilizing the leading European kiln technology under an exclusive USA license, and has quickly gained the approval for use by numerous state departments of transportation (“DOTs”), and by the Federal Highway Administration. As such, Aero boasts an enviable track record with the product being utilized across a range of use cases, and in major infrastructure projects such as the I-95, Maine Turnpike, Philadelphia International Airport.

Aero generates costs savings for contractors and governments that have been shown to run into the millions of dollars, with consistent quality of performance. This is due to the lightweight quality of FGA allowing changes in project engineering, lower transportation costs and reduced project timelines that save significant cost to the end client.

FGA is made using the c.80% of “recycled” glass that is deemed uneconomic and destined for landfill. The glass is combined with a foaming agent and placed through a specialized kiln where the chemical reaction produces aggregate-sized particles. FGA thus provides an alternate use for a waste stream currently costing municipalities and waste contractors millions of dollars. In providing an alternate use for a waste stream, Aero secures its key feedstock at minimal cost, allowing for very strong gross margins.

Aero has experienced a significant increase in demand for its product as more DOTs and contractors become aware of, and experience, the quality and cost saving potential of Aero FGA. Further, customers and key stakeholders continue to buy-in to FGA’s key environmental benefits. This is reflected in a significant increase in the number of purchase orders and in the project pipeline. As such, Aero is using the injection of equity from the Fund to expand kiln capacity to ensure that it can continue to grow with the accelerating demand.

Valterra specialises in equity investments that serve as a catalyst to tangible growth strategies in partnership with high quality management teams. With the Valterra team’s infrastructure background, the opportunity provided by Aero was immediately apparent, and the investment has allowed the company to continue to expand kiln capacity and make key hires to support growth.

The Fund has made a commitment of US\$7,204,000 into the Underlying Fund. The value of the Underlying Fund will be valued at cost for 18 months from the date of investment 6 December 2019. This is as per the Valterra Valuation Policy which is available on request.

Contact our team

Operations – Email us at operations@spirecapital.com.au or phone us on **(+61) 2 9047 8800**



Leakena Taing
Head of Operations

Email leakena.taing@spirecapital.com.au
Phone (+61) 2 9047 8803
Mobile (+61) 424 430 044

Investor relations



Dale Holmes
Director

Email dale.holmes@spirecapital.com.au
Phone (+61) 2 9047 8802
Mobile (+61) 401 146 106



Chris Niall
Senior Manager – Investor Relations

Email chris.niall@spirecapital.com.au
Mobile (+61) 419 011 628



Stuart Haigh
Director

Email stuart.haigh@spirecapital.com.au
Phone (+61) 2 9047 8807
Mobile (+61) 413 750 521



Thomas Ryan
Investment Associate

Email thomas.ryan@spirecapital.com.au
Phone (+61) 2 9047 8808
Mobile (+61) 403 405 537

Important Information

Spire Capital Pty Limited (“Spire”) ABN 21 141 096 120 and (wholesale) Australian Financial Services License Number 344365 is the Trustee and Fund Manager of the Fund. This Fact Sheet has been prepared by Spire for general information purposes only. It does not contain investment recommendations nor provide investment advice. Neither Spire nor their related entities, directors or officers guarantees the performance of, or the repayment of capital or income invested in the Fund or the accuracy of information in this document and accepts no liability to any person who relies on it. 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 Fact Sheet. 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 Information Memorandum (“IM”) and Term Sheet.