SPIRE GLOBAL PRIVATE EQUITY
SPIRE AERO AGGREGATES FUND (AUD)
A UNIT CLASS OF SPIRE CAPITAL MASTER FUND
QUARTERLY FACTSHEET – SEPTEMBER 2020

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 Valterra Aero Holdings LLC (Underlying Investment Entity) created and controlled by Valterra Partners LLC ('Valterra'), a specialist lower mid-market private equity firm based in New York. The investment team Valterra 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.

Negatively affecting the unit price during the quarter of September was the 4.34% increase in the value of the Australian dollar against the USD dollar from US$0.6863 to US$0.7161. The Fund does not hedge currency exposure.

The Underlying Investment Entity is valued at cost at the value dated 6 December 2019. The valuation will remain at cost for at least 18 months from date of investment (as per the Valterra Valuation Policy).

Trading Update

Valterra and Spire Capital are happy to report that Aero continues to be a bright spot in a challenging environment for markets and economies globally. The management team at Aero have continued to execute on the business plan and have positioned the business well heading into 2021. Following the detailed update for Q2 and ahead of the comprehensive update planned after year end, this report provides a quick snap shot of where the business is today and a preview of what to expect heading into 2021.

From a volume perspective, Aero remains on track to hit its budgeted volume target for the year of 200,000 cubic yards of Foam Glass Aggregate (FGA) sold. The Philadelphia Airport project is on track to begin shipping on December 1, 2020 and to be completed by year end which represents more than 100,000 cubic yards of FGA volume. The project is expected to paid upfront in full and in any case, fully invoiced by the end of the year. This project is a landmark achievement for Aero and for FGA use worldwide. As always, there is the potential for some smaller projects scheduled to ship in December to push into January, but that said, several under-slab jobs have come up just in the past weeks that would offset that volume in 2020.

Timing aside, the business itself remains capacity constrained. Following the completion of the Philadelphia Airport, inventories are expected to drop below 10,000 cubic yards. With the mill upgrade now completed and Kiln #3 now commissioned, the business is producing approximately 16k cubic yards/month and will be able to re-build stock piles in Q1. That said, the fact remains that demand continues to outpace supply. Assuming the 200,000 cubic yards of volume is achieved as per above, then the business is on track to achieve in excess of USD7mm of adjusted EBITDA in 2020. Again, another outstanding achievement.

From a capacity perspective, Kiln #3 was originally expected to be commissioned in April 2020 at our Eddystone, PA facility, and our second location in Ocala, FL with Kilns #4 & #5 was expected to come online in Q1 2021; however, because of delays and shutdowns related to Covid-19, both of those timelines were moved out. The good news is that the engineers from SGGC were able to travel to the US under a special exemption visa (due to the essential nature of our production facility) in October to commission Kiln #3 and get it fully operational and producing FGA. Similarly, the design, engineering and construction of the Ocala, FL site are all now back on track, and that facility is expected to come on line in July/August 2021. From an operational perspective, the team has done great job operating and optimizing the production process at the Eddystone facility. Kiln utilization has increased to 77% and is moving higher. Aero's average glass cost per ton is down to $8 and is expected to move lower with the addition of relatively inexpensive crushing equipment that will allow Aero to further diversify its 2 glass sources. The team is also pursuing several other initiatives in the facility to reduce overheads including relocating the cleaning equipment, implementing LED lighting and improving the screening process.

Looking into the budget for next year, the pipeline for new jobs in 2021 continues to grow as Aero becomes more widely known in the market. In addition to the standard 5,000-10,000 cubic yard jobs which are continuing to be added to the pipeline, the team has also brought in several 50,000+ cubic yard projects that would be scheduled to ship next year and in 2022. Obviously, there is still a lot of work to do, but 2021 will be another year where the limiting factor is capacity rather than demand. The budgeting process for next year, led by our CFO Chris McBride, is now in full swing, so it is expected those numbers will be available for the next update.

From a growth perspective, the Aero Board is now considering an accelerated expansion of the business into a third production facility on the US West Coast in 2021. With Eddystone and Ocala covering East Coast, the Board believes that a location on the West Coast will be optimal to expand our geographic reach and cover the increasing demand for FGA that we are already seeing in that market. That increasing demand coupled with the West Coast's large population centres, abundant glass supply and poor soil quality makes it the ideal location for expansion. Clearly, expanding capacity has been and will continue to be the central focus the business to meet the increasing level of demand we are seeing for FGA projects. The Board also expects an additional surge in demand from a renewed focus on infrastructure spending. With the election of the Biden Administration last week, infrastructure stimulus spending is expected to come back onto the agenda as a bipartisan issue. While the Aero business plan is not dependent on an infrastructure stimulus package, it is anticipated there will be an increase in infrastructure spending, so the focus is to have the business well positioned from a capacity perspective when that increase occurs.

While 2020 certainly was not without challenges, Valterra and Spire Capital are very pleased with the progress of the business and its performance in such a challenging environment. The team remains on track to hit its budget for 2020 and the main focus of the team continues to be building out capacity to meet the demand in the market. While that will certainly take a lot of work and continued execution from the management team, the business is in a great position heading into 2021. Following year end, Valterra will provide a more fulsome update on operations, strategy, budgeting as well as a detailed financial overview for the 2020 fiscal year.

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Performances (Net of Fees)

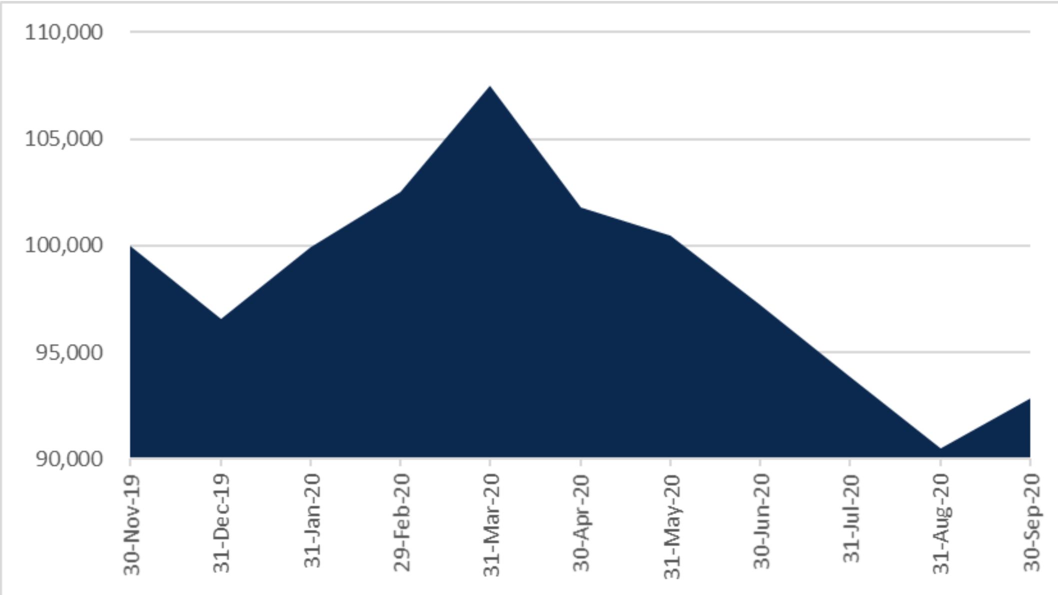
As at 30 September 2020
Underlying Investment Entity is valued at Cost

1 month	3 months	6 months	1 year	3 years (p.a)	Inception (p.a)
2.56%	-4.54%	-13.65%	N/A	N/A	-7.17%

Asset Allocation as at 30 September 2020	
Cash AUD	1.50%
Cash USD	0.00%
Investments USD	98.50%

Unit Price Quarterly Movement Breakdown	
Underlying investments (incl. cash and distributions)	0.00%
Foreign exchange	-3.68%
Underlying Fund Management fees	-0.63%
Management fees	-0.12%
Tax formation expenses	-0.08%
Other expenses	-0.03%
Total Movement	**-4.54%**

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):	$11.41m
Unit Price:	$0.9283
APIR Code:	SPI8236AU
Commencement:	15 November 2019
Application Status:	CLOSED
Liquidity:	Nil - closed-ended Fund
Distribution Frequency:	Annually as at 30 June

Fund Manager:	Spire Capital Pty Limited
Investment Manager:	Valterra Partners LLC
Trustee:	Spire Capital Pty Limited
Base Management Fee:	0.50% 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.

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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 Investment Entity. The value of the Underlying Investment Entity 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

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Important Information

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