

Quarterly Update

The Spire Branford Castle Private Equity Fund II (USD) (the “Spire Feeder Fund”) returned 29.73% for the March quarter with the unit price closing at \$0.2725. Positively affecting the unit price during the March quarter was the 37.60% net increase across the portfolio in the total book value of the Underlying Branford Fund recorded during Q4 2021 and Q1 2022.

Investment Activity (Underlying Branford Fund – all figures are in US\$)

Spire recently conducted an Investment Update with Branford Castle team members John S. Castle (President & CEO), Laurence Lederer (Managing Partner) and Keith White (CEO, Fibrix Filtration) on the progress of the Underlying Branford Fund. Spire is pleased to report that the Underlying Branford Fund continues to execute its strategy according to plan. A recording of the session can be found [here](#). To date, the Underlying Branford Fund currently comprises of 2 portfolio companies (Fibrix Filtration and Lafayette Instrument) and has been utilising a line of credit (subscription line) to make acquisitions, as well as to provide the Fund’s working capital.

Branford Castle Partners highlighted that the acquisition of a third platform business was imminent, and that this acquisition would be secured via the fund credit line. As such, we expect the next capital drawdown to be in the second half of this year.

Fibrix Filtration (Acquired in August 2020)

Leading manufacturer of specialized niche filtration products that are utilised for industrial air purification and commercial HVAC systems.

Fibrix continues to perform exceptionally well, continuing on a robust growth trajectory. The transformative acquisition of Americo was completed on February 2nd and has significantly enhanced the scale of the entity. As of March 31, 2022, Trailing Twelve Month (TTM) revenues for the combined Fibrix-Americo were \$100.8 million compared to \$47.7 million for Fibrix standalone at year end 2021. TTM EBITDA for Fibrix-Americo reached \$16.9 million¹ compared to Fibrix standalone of \$9.1 million at year end 2021. This new EBITDA level also represents substantial growth over \$6.9 million of EBITDA, when the business was acquired in August 2020. Additionally, Fibrix standalone has also achieved organic growth over the last quarter, as TTM Revenue and EBITDA were \$49.5 million and \$9.2 million respectively as of March 31, 2022.

Americo is a leading specialty nonwovens platform that develops and manufactures sustainable, technical high-loft nonwoven products for diverse, high-demand applications. The Company has two manufacturing facilities in Georgia. The Company provides a complete line of floor care products for the janitorial / sanitation industry, as well as products for building materials, geotextiles, and filtration. Americo has the #2 global market share position in floor pads within its janitorial segment overall and holds the #1 position in customized, niche janitorial floor pads.

Fibrix-Americo is uniquely positioned in the nonwovens sector as a manufacturer centered around clean technologies. Both companies utilise recycled PET as a component to manufacture their nonwovens materials and Americo has an additive that is used on their Jan/San products that allows it to become biodegradable. Within the current nonwovens market, Branford does not believe that there is another company that would be able to make these same environmentally friendly claims. As part of the transaction, Branford have created a “Clean Solutions Group” holding company with both companies operating as separate brands underneath the holdco.

For the period ending December 2021, Americo generated revenue of \$50.6 million and Adjusted EBITDA of \$6.2 million on a standalone basis (not including synergies). For the acquisition, the transaction multiple was 5.6x, pro forma for \$2.5 million of projected cost synergies and the sale leaseback transaction. On a pro forma basis, the combined Fibrix Filtration-Americo full year 2021 revenue of \$97.5 million and EBITDA of \$16.3 million, inclusive of synergies and sale leaseback rent expense.

Americo was purchased at a valuation of \$56.0 million. Given the organic growth of Fibrix and the enhanced scale of the larger combined entity, Branford was able to close the Americo transaction with just \$7.4 million of total equity and \$51.5 million of incremental new debt. With respect to cost synergies and the integration of Americo, the Fibrix management team is ahead of the original schedule they laid out. Cost synergies of \$2.4 million (on an annualized basis) have been implemented with upside potential for as much as \$3.8 million of synergies.

It should be noted that input price increases continue to impact both Fibrix and Americo. To address this, a price increase was instituted for Americo products shortly after close. With Fibrix’s first quarter 2022 gross margins and EBITDA margins, approximately matching first quarter 2021 margins, management believes that the cumulative price increases (25% since early 2021) they instituted have finally fully mitigated input price increases. However, additional input price increases are looming, so Fibrix management will be instituting an additional price increase in May of 2022, to get to a cumulative increase of 30%.

After including the cumulative monitoring fee collections of roughly \$1.1M (which are a 100% offset against management fees charged to the Fund), the Underlying Branford Fund has a gross Multiple on Invested Capital (MOIC) of 3.33x and an IRR of 116.4%.

Lafayette Instrument (Acquired in April 2021)

Leading provider of scientific instrumentation equipment to the polygraph, neuroscience and human evaluation markets.

Lafayette Instrument continues to perform well since the acquisition closed in April 2021. Trailing Twelve Month (TTM) revenues as of March 31, 2022, remained generally flat at \$12.0 million when compared to year end 2021. TTM EBITDA as of March 31, 2022, declined slightly to \$2.6 million. This compared to year end 2021 EBITDA of \$2.9 million and \$2.7 million in 2020, which is the EBITDA that the acquisition was based on. Like many other businesses, Lafayette has experienced inflationary input cost pressures. In the middle of 2021, they addressed this through a 5%+ price increase. A second price increase of roughly 5% took place in January. Given the expense trends mentioned above, management is reviewing an additional potential increase to be implemented in the near-term.

Branford is actively working with the company to pursue a number of add-on acquisition opportunities in neuroscience and in polygraph. Branford have two under letter of intent, with one of them being the #2 company in polygraph. Having both the #1 and #2 organizations in polygraph under our control should yield significant benefits. The pace of diligence activity with the #2 polygraph company has increased in recent weeks. Due diligence on the neuroscience company under LOI has hit a speed bump with respect to operational due diligence. Additional conversations are taking place with a handful of other neuroscience companies.

Investor Capital Calls

The following table records on a US Dollars per Units basis, an investor's capital call history and remaining capital call liability.

	Per Unit
Commitment Amount	US\$1.00
Amount paid on Application	US\$0.20
Total Amount paid to date	US\$0.20
Remaining Capital to be called	US\$0.80

Performance (Net of Fees)*

As at 31 March 2022

Based upon underlying fund data as at 31 March 2022

3 months	6 months	1 year	3 years	Since Inception ¹	TVPI ²
29.73%	36.25%	N/A	N/A	36.25%	1.3624

¹**Inception** – 30 November 2021. Inception date occurred from the commencement of NAV based unit pricing, following the completion of capital raising in November 2021.

²**TVPI** – is the "Total Value Paid In" ratio and is, according to the Institutional Limited Partners Association (ILPA) perhaps the best available measure of performance before the end of a (closed-ended) fund's life. TVPI is the total estimated value of the Spire Feeder Fund's investments, both distributions received plus the value of the remaining investments in the Spire Feeder Fund, divided by the amount of capital paid into the Spire Feeder Fund to date. For the purposes of calculating TVPI Spire Capital includes the value of any Foreign Income Tax Offsets in the value of distributions received. This ratio has other names, including Multiple of Investment Capital (MOIC) and the Return on Invested Capital (ROIC).

Fund Overview

The Fund seeks to deliver steady returns and strong asset growth from US Private Equity. The Fund was established in May 2020 and serves as an AUD denominated Australian unlisted unit trust that feeds into the Branford Castle Partners Fund II, L.P. ("the Underlying Fund" or "Fund II"). The Investment Manager for the Underlying Fund is Branford Castle Partners, L.P., ("Branford"). Branford is launching the Underlying Fund to build upon the Firm's track record of making control investments in strong, privately held "Small-Cap" businesses primarily based in North America. For over three decades, Branford's professionals have been buying solid Small-Cap businesses, at reasonable prices, then adding value, in the pursuit of generating superior risk-adjusted returns.

Ordinary Units will acquire an interest in the Underlying Fund, which has exposure to US Small-Cap companies. The Underlying Fund will benefit from Branford's operational capability in delivering for investors through equity and preferred equity positions. Branford's Small-Cap investment strategy is focused on finding companies with under USD 100m in enterprise value and whose product or service lines typically have less than USD 200m in total industry sales. Many private equity firms overlook the types of Small-Cap companies that Branford invests in, leaving significant actionable opportunities for Branford which often can be purchased for around 6.0x EBITDA or lower.

Fund Details

Total Commitments to the Branford Castle Fund II, L.P. (USD) (All Share Classes) (in USD)	US\$50m
<ul style="list-style-type: none"> Fund Size – Total Commitments (USD): Fund Size – Current NAV (USD) 	<ul style="list-style-type: none"> US\$41.50m US\$11.31m
Capital Called (Spire Feeder Fund)	20%
Unit Price (USD):	\$0.2725
APIR Code:	SPI8844AU
Commencement:	15 May 2020
Distributions:	Annually
Application Status	CLOSED
Liquidity	Nil – Closed ended Fund
Fund Manager:	Spire Capital Pty Limited
Investment Manager:	Branford Castle Partners, L.P.
Trustee:	Spire Capital Pty Limited
Base Management Fee:	0.50% p.a. x NAV
Underlying Management Fees:	2.00%p.a of Committed Capital
Underlying Performance Fee:	20% of realised profits after an 8% preferred return is paid to Limited Partners.

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Important Information

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*Past performance is not an indicator of future performance. Performance and Growth table and chart are based on the aggregated total application amount and units issued during the capital raising period and includes Unit Price growth from commencement of NAV based unit pricing following completion of capital raising in November 2021. Unit Price and performance do not include the value of Foreign Income Tax Offsets (FITOs) which have been distributed in addition to cash. Individual investor performance will vary according to the Application Price at which they were issued Units in the Fund, which in turn was based upon the AUD / USD exchange rate applicable on the day that an investment is accepted.