

Spire Multifamily Value Fund I (USD) First Close

Fact Sheet



Overview

Spire Capital Pty Ltd ('Spire') continues to have high conviction in US Multifamily real estate as a resilient source of absolute returns with low correlation to traditional asset classes. The Spire Multifamily Value Fund I (USD) First Close ("the Fund") seeks to deliver steady returns and strong asset growth from US multifamily assets while maintaining a moderate risk profile.

The Fund was established in May 2020 and serves as a USD denominated Australian unlisted unit trust that feeds into the First Close of the Cortland Enhanced Value Fund V LP ("the Underlying Fund"). The Series has been created to provide Spire clients with the opportunity to invest in the First Close of the Underlying Fund (First Close), and thereby participate in the fee concession available to First Close investors (as per terms summarised on Page 3). The Fund will progressively call capital in line with the requirements of the Underlying Fund and operating expenses of the Fund.

The Investment Manager for the Underlying Fund is Cortland Partners LLC ("Cortland"). Headquartered in Atlanta, GA, Cortland is a vertically integrated operating platform with over 1,900 dedicated employees across eight offices in the United States, London, and Shanghai. Cortland is a high-quality investment manager who serves an institutional clientele. The firm has extensive expertise and experience in the acquisition, development, asset management and property management of multifamily properties. Founded in 2005, Cortland specializes in high-growth US cities and suburban sub-markets located in the South-East and South-West United States. The firm manages a portfolio comprised of over 59,000 units and USD 11.4bn in Gross Real Estate Asset Value (as at Q42019).

How the Fund invests

Ordinary Units will acquire an interest in the Underlying Fund, which has exposure to value-add multifamily strategy executed by Cortland. The Fund will benefit from Cortland's operational capability in delivering for investors through equity and preferred equity positions. Cortland will focus on assets in which the firm can increase value through a blend of physical improvements to the property and individual units, as well as a commitment to enhancing operations and, ultimately, the resident experience.

Cortland Performance Track-record

Fund	Vintage	# of Assets	Total Cost ²	Total Equity ³	Fund Equity Invested ⁴	Realized Fund Proceeds ⁵	Unrealized Fund Value ⁶	Total Fund Equity Value	Gross Fund IRR ⁷	Net Fund IRR ⁸	Net Equity Multiple ⁹
Pre-Fund ¹	2006-2012	25	385,654,431	95,365,239	95,365,239	262,202,141	-	262,202,141	53.7%	N/A	N/A
Fund I	2012	30	1,137,130,997	347,021,043	47,465,000	191,913,962	49,016,025	240,929,987	36.3%	31.0%	3.9x
Fund II	2014	36	1,284,498,325	430,568,811	55,300,193	142,488,440	88,238,969	230,727,410	42.7%	34.0%	3.1x
Fund III ⁶	2015	31	2,058,469,532	581,183,610	111,481,026	29,554,211	204,011,458	233,565,669	25.8%	21.7%	1.9x
Fund IV ¹⁰	2017	55	3,414,983,277	1,265,894,820	175,000,000	8,710,807	237,508,698	246,219,505	22.5%	19.6%	1.3x
Totals		177	8,280,736,562	2,720,033,523	484,611,458	634,869,561	578,775,150	1,213,644,711	29.3%	24.0%	2.1x

Source: Cortland. 1. Pre-Fund returns shown are weighted average project level returns 2. Total Cost represents acquisition price plus all hard and soft closing costs for each asset 3. Total Equity represents both LP and GP (Fund) Equity commitments 4. Fund Equity Invested represents the total GP Fund equity invested, including both outside investors and Cortland 5. Realized Fund proceeds represent total gross distributions from both operations and capital events through 9/30/2019. 6. Unrealized Fund Value represents the total gross remaining value assuming a mock liquidation as of 9/30/2019. The multiple quoted for Funds III and IV represent a hypothetical early sale well before expected and underwritten hold period. 7. Gross Fund IRR is that total IRR to the Fund using Microsoft Excel "XIRR" Function as of 9/30/2019 8. Net Fund IRR is the return to the investor after all fees as of 9/30/2019 9. Net Equity Multiple represents the net multiple to Fund investors after all fees as of 9/30/2019 10. Fund IV is currently in its investment period with a total equity commitment of \$175M. Historical return performance is not indicative of results in the future.

US Multifamily Market Overview

Since the mid-2000s, single-family homeownership rates have declined, with an acceleration of this trend starting with the sub-prime mortgage crisis in the summer of 2007. While the homeownership level has stabilised in recent years, it remains subdued by pre-recession standards. Cortland believes several key factors have and will continue to contribute to an increase in demand for multifamily rental property including:

- Favorable trends in the form of an aging millennial population and pent-up demand for housing.
- Growing student debt making homeownership more challenging for many college-educated workers.
- An inaccessible owned-housing market is channeling demand to rental housing.
- With life-stage delays resulting in part from housing cost dynamics, there is a migration to affordability underway, namely to the Sun Belt and suburban areas.
- An aging Baby Boomer population supports rental demand.
- Multifamily fundamentals are attractive, with new highs in occupancies and retention rates.

Cortland believes it is well-positioned to continue thriving in the current market environment. With superior job growth and in-migration in Cortland markets, the firm expects to benefit from continued improvement in demand-side fundamentals. Cortland believes its value-add platform is able to offer the same heavily demanded finishes as products in the "luxury" category but at discounted rents, making Cortland's communities a prime alternative – especially in an economy of generally stagnant wages and challenging affordability for single family purchases.

Value-add Investing

The Underlying Fund seeks to invest in US markets where Cortland can add value to multifamily properties through enhancing the physical attributes of common areas and units and providing an enriched lifestyle, which drives occupancy and rent growth, which typically translates to an increase in net operating income.

Cortland Partners LLC

Founded in 2005 as a multifamily development company, Cortland is now a global multifamily investment, development and management firm. As of 31 December, 2019, Cortland manages a portfolio of assets with a total market value of approximately USD 11.4bn comprised of 185 properties and more than 59,000 apartments in 19 US markets. Cortland serves approximately 100,000 residents and employs more than 2,200 associates.

Investment Strategy

The investment strategy marries together a systematic approach to identifying attractive cities and sub-markets with an active business plan at the asset level. Cortland combines the efficiency of a vertically integrated operating model with a market-leading focus on the tenant experience. Cortland focusses on 'High-Growth' US cities and sub-markets. This means markets with stronger population, economic and rental growth rates than the US at large. These target cities also have deep liquidity via institutional capital flows.



Cortland is comprised of people who thoughtfully challenge the boundaries of the conventional multifamily industry in pursuit of a resident-centric, hospitality-driven approach to apartment living.



Cortland's end-to-end business model is based on a thoughtful, largely internalized approach to every aspect needed to conceive, create and deliver a best-in-class apartment community and enhanced resident experience. The Cortland business includes target market research and resident segmentation, interior and exterior design through Cortland Design, construction management services through Cortland Build, building materials, sourcing, and supply chain management through its affiliate CASK Industries, and property management operations through Cortland Management LLC.

Executive Leadership				
 Steven DeFrancis* Founder and Chief Executive Officer	 Mike Altman* Chief Investment Officer	 Clyde Stutts Chief Operating Officer	 Bruce Cohen* Sr. Managing Partner, Investments and Strategic Initiatives	
 Ned Stiker* Sr. Managing Partner, Investments and Capital Markets	 David Dickson* Chief Financial Officer	 Mike Gomes* Chief Experience Officer	 Jonathan Tucker Executive Vice President, Operations and Facilities	
Leadership				
 Brett Ferguson SVP of Accounting	 Corey May General Counsel/Chief Compliance Officer	 Tim Hermeling EVP, Marketing	 Priscilla Mattingly Chief People Officer	 Scott Moore Chief Information Officer
 Brad Brown Chief Acquisitions Officer	 Clay Landers Chief Construction Officer	 Paul Wrights EVP, Development	 Ted Collier* EVP, Investments	 Lance Keiser President, CASK Industries and Services

Cortland believes this integrated approach results in superior amenities relative to comparable properties and a higher quality custom product designed and built specifically with the target resident in mind. From a project execution standpoint, Cortland believes this vertical integration model results in reduced project risk, increased speed to market, tighter quality control, significantly lower product sourcing costs, enhanced supply chain management, and greater operational efficiency across the entire execution.

Moreover, there is much less disruption to the resident during renovation and higher overall resident satisfaction during their time living in a Cortland community. As properties move out of the renovation phase and stabilize, Cortland is able to further leverage its in-house capabilities to deliver efficient marketing of new properties, resident-centric hospitality and service delivery, and best in class facility and maintenance services. Cortland has proven that operational effectiveness drives faster rent growth than competitors in the same markets.

Fee Compression through General Partner Joint Ventures

20% to 30% of the Underlying Fund is contemplated to be invested into Joint Venture (JV) partnerships in which the Underlying Fund will contribute 5-10% of capital and receive acquisition fees and performance fees as the General Partner (GP). Cortland expects to receive outsized returns on this capital through the addition of the fees earned from GP JV partnerships. It is anticipated that this will significantly compress the spread between Gross and Net Returns to investors.



Key Terms

Registered Fund Name & APIR Code	Spire Multifamily Value Fund I (USD) First Close – Ordinary Units: APIR: SPI7427AU
Fund Type	Wholesale Closed-Ended Fund
Term Sheet	Click here to see the Term Sheet
Commencement	15 May 2020
Trustee and Fund Manager	Spire Capital Pty Ltd
Underlying Investment Manager	Cortland Investment Manager, LLC, an affiliate of Cortland Partners, LLC
Applications	Daily during the Offer Period, which is anticipated to run until 31 August 2020
Minimum Investment	US\$ 500,000
Capital Raising Period	The capital raising period is expected to close on 30 July 2020, unless the Fund's allocation to the Underlying Fund has been capitalised prior to this date, in which case the Fund will close to applications earlier.
NAV Unit Pricing	Net Asset Value (NAV) unit pricing will commence on a quarterly basis following the capital raising period.
Distribution Frequency	Every six months as at 30 June and 31 December (following the completion of the Initial Offer Period).
Liquidity	Nil - Closed-ended fund
Term	The Term of the Fund is 8 years, with three 1-year extension options. This includes a period of three years of capital deployment (Commitment Period)
Tax considerations	Unitholders are not required to file US tax returns. The Fund will invest into the assets of the underlying funds via a leveraged blocker subsidiary, which will elect to be taxed as a corporate for US tax purposes on its taxable income. Depreciation and other allowances, such as interest expenses, may be used to reduce US taxable income. US corporate tax paid by or withheld from this subsidiary is expected to generate a proportionate Foreign Income Tax Offsets (FITOs), which may be used by unitholders to offset Australian income tax liabilities on foreign sourced income or gains, including but not limited to returns from the Fund.
Management Fees	0.25% p.a. x NAV (paid monthly) plus GST, payable to Spire Capital Pty Ltd at the Master Fund level.
Sourcing & Structuring Fee	The Trustee is entitled to a Sourcing and Structuring Fee of 0.25% plus GST of the total capital commitments made by the Series Sub-Trust into the Underlying Fund. This fee is a one-off fee and becomes payable when the capital commitment is made to the Underlying Fund. The Sourcing and Structuring Fee is payable out of the assets of the Master Fund and is payable to the Trustee.
Other Operating Expenses	The Trustee estimates direct operating costs and expenses to be 0.1% per annum plus GST based on the NAV of the Master Fund. These costs and expenses are payable from the Fund's assets to the relevant person when incurred or, where initially paid by the Trustee, will be reimbursed to the Trustee at the end of each month.
Underlying Management Fee	During the Commitment Period: <ul style="list-style-type: none"> Uncalled Capital: 0.75% p.a. x capital that the Series Sub-Trust has committed to the Underlying Fund (Committed Capital) (First Close Incentive) Called Capital: 1.50% p.a. x capital that the Series Sub-Trust has committed to the Underlying Fund (Committed Capital) Following the Commitment Period: 1.50% p.a. x unreturned capital from the Underlying Fund (Unreturned Capital)
Underlying Performance Fee	At the Underlying Fund level, 20% of profits, subject to Limited Partners receiving the Preferred Return of 8% IRR. No Performance Fee at the Series Sub-Trust level.

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Important Information

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