

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 1,800 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 60,000 units and USD 12.1bn in Gross Real Estate Asset Value (as at Q3 2020).

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.

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 Performance Track-record

Fund	Vintage	# of Assets	Total Cost ²	Total Equity ³	JV Partner Equity	Fund Equity Invested ⁴	DPI ⁵	RVPI ⁶	TVPI (Gross)	TVPI (Net) ⁷	Gross Fund IRR ⁸	Net Fund IRR ⁹
Pre-Fund ¹	2006-2012	25	385,654,431	95,365,239		95,365,239	2.75x	-	2.75x	N/A	53.7%	N/A
Fund I	2012	30	1,137,130,997	347,021,043	299,556,043	47,465,000	4.59x	0.58x	5.18x	3.93x	36.1%	30.9%
Fund II	2014	36	1,284,498,325	430,568,811	375,268,540	55,300,271	2.65x	1.60x	4.25x	3.17x	40.7%	33.0%
Fund III ⁶	2015	31	2,058,469,532	581,183,610	469,702,584	111,481,026	1.19x	0.87x	2.06x	1.89x	21.5%	18.8%
Fund IV ¹⁰	2017	61	3,724,360,075	1,461,075,986	1,286,075,986	175,000,000	0.08x	1.33x	1.41x	1.38x	15.5%	14.6%
Totals		158	8,204,458,929	2,819,849,450	2,430,603,153	389,246,297	1.32x	1.14x	2.46x	2.09x	23.3%	20.4%

1. Pre-Fund returns shown are weighted average project level returns and excluded from totals shown above 2. Total Cost represents acquisition price plus all hard and soft closing costs for each asset 3. Total Equity represents both JV Partner and Fund Equity commitments 4. Fund Equity Invested represents the total Fund equity invested, including sponsor contributions 5. DPI values represent total gross distributions from both operations and capital events through 6/30/2020. 6. RVPI values represent the total gross remaining value assuming a mock liquidation as of 6/30/2020. 7. TVPI (Net) represents the net multiple to Fund investors after all fees as of 6/30/2020 assuming a hypothetical liquidation. 8. Gross Fund IRR is that total IRR to the Fund using Microsoft Excel "XIRR" Function as of 6/30/2020. 9. Net Fund IRR is the return to the investor after all fees as of 6/30/2020. 10. Fund IV is currently in its investment period with a total equity commitment of \$175M. Due to recent vintage, returns shown are lower than underwritten due to recent acquisitions currently held at cost. Historical return performance is not indicative of results in the future.

About Cortland

Founded in 2005 as a multifamily development company, Cortland is now a global multifamily investment, development and management firm. As of 30 September, 2020, Cortland manages a portfolio of assets with a total market value of approximately USD 12.1bn comprised of 194 properties and more than 60,000 apartments in 16 US markets. Cortland serves approximately 90,000 residents and employs more than 1,800 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.

Cortland¹ is a global, integrated multifamily investment and management firm that thoughtfully challenges the status quo of the conventional multifamily industry. Through our resident-centric approach to apartment living, we work to deliver outsized returns in high-growth, metro and suburban areas.



Cortland U.S. Markets

Atlanta
Austin
Charlotte
Colorado Springs
Columbus

Dallas-Ft. Worth
Denver
Houston
Nashville
Orlando

Phoenix
Raleigh-Durham
San Antonio
South Florida
Tampa
Washington DC

Offices

Headquarters²
Atlanta (259 associates)

Regional Offices³
Charlotte (12 associates)
Dallas (40 associates)
Denver (10 associates)
Houston (21 associates)
Orlando (16 associates)

\$12.1 B Gross Real Estate Asset Value	1,800+ Associates ⁴
16 US Markets	194 Real Estate Assets
60,803 Multi-family Units	90,000 Residents ⁴

¹Cortland is a brand identifier representing the Cortland family of companies (see Disclaimers for additional information).
²All Figures as of September 30, 2020 and pertain to Cortland and all of its subsidiaries.
³Associates headcount includes both investment professionals as well as operational and corporate associates.
⁴Resident headcount is an approximation based on resident leases across the entire Cortland portfolio.



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.

Shifting the paradigm to a resident-centric focus

Standard Industry → Cortland

BUILD FOR GENERAL RENTER Amenities and design built for general renter	BUILD FOR TARGET RESIDENT Design experience for various target market segments
PRODUCT/RATIONAL Differentiate based on amenities and position product based on traditional benefits	EXPERIENCE/EMOTIONAL Differentiate based on resident experience and use storytelling to create emotional appeal
CUSTOMER SERVICE We makes things easy/convenient	HOSPITALITY We go beyond and truly care for and appreciate each resident
GENERIC Incomplete view of the resident; treat them all the same	PERSONALIZED Know each resident; treat them as individuals
TRANSACTIONS Lead, lease, move-in, maintenance, renewal, etc. treated as transactions	INTERACTIONS Each moment is part of the holistic engagement throughout the resident lifecycle
WE REACT Services provided on-demand when requested	WE ANTICIPATE Service and resident needs discovered in advance
SATISFIED Focus on achieving excellent satisfaction scores	HAPPY/DELIGHTED Focus on creating happy, delighted residents

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.

Investment Committee

Steven DeFrancis Founder and Chief Executive Officer	Mike Altman Chief Investment Officer	David Dickson Chief Financial Officer	Ned Stiker Sr. Managing Partner, Investments and Capital Markets
Mike Gomes Chief Experience Officer	Chris Lennon EVP, Investments and Capital Markets	Ted Collie EVP, Investments	

Non-Investment Committee Leadership

Brett Ferguson EVP of Accounting	Corey May General Counsel / Chief Compliance Officer	Jonathan Tucker EVP, Operations and Facilities	Brad Brown Chief Acquisitions Officer
Darla Dillon EVP, Design and Architecture	Tim Hermeling EVP, Marketing	Clay Landers Chief Construction Officer	Scott Moore Chief Information Officer
Alp Kirmizoglu EVP of Construction	Alison Smith EVP, Talent	Chris Doscher EVP of Pre-Construction	Jeff Gragnoli EVP of Capital Markets

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 December 2020
Minimum Investment	US\$ 500,000
Capital Raising Period	The capital raising period is expected to close on 31 December 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

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.