Spire Multifamily Growth and Income Fund (AUD)

Fact Sheet

Overview

Spire Capital ('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. This conviction was tested throughout 2020 as the Covid-19 (C-19) pandemic impacted financial markets and real estate sub-markets across the United States. The asset class is proving again to be a safe-haven showing strong resilience owing to a highly diverse tenant base, strong rent collections, stable occupancy and improved financing costs. Throughout 2020, leading operators were able to realise improvements in occupancy and rental growth. The Spire Multifamily Growth and Income Fund (AUD) ('the Spire Fund') seeks to deliver steady returns (net 7-11% over rolling 5 year periods) from a diverse portfolio of US multifamily assets.

The Spire Fund is scheduled to commence in Q1 2021 and serves as an AUD denominated Australian unlisted unit trust that feeds into the Cortland Growth and Income, L.P. ('Underlying Cortland Fund'). The Underlying Cortland Fund is an open-ended structure with a mature portfolio of US multifamily assets. The Spire Fund has been created to provide Spire clients with access to the Underlying Cortland Fund with a monthly liquidity feature. To facilitate said liquidity, a target allocation of 20% will be invested in the Liquidity Portfolio which will contain Listed Global Real Estate and Cash. The former will be accessed via an exchange traded fund called the VanEck Vectors FTSE International Property (Hedged) ETF – (ASX: REIT).

The Investment Manager for the Underlying Cortland 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. Founded in 2005, Cortland specialises 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 Q32020).

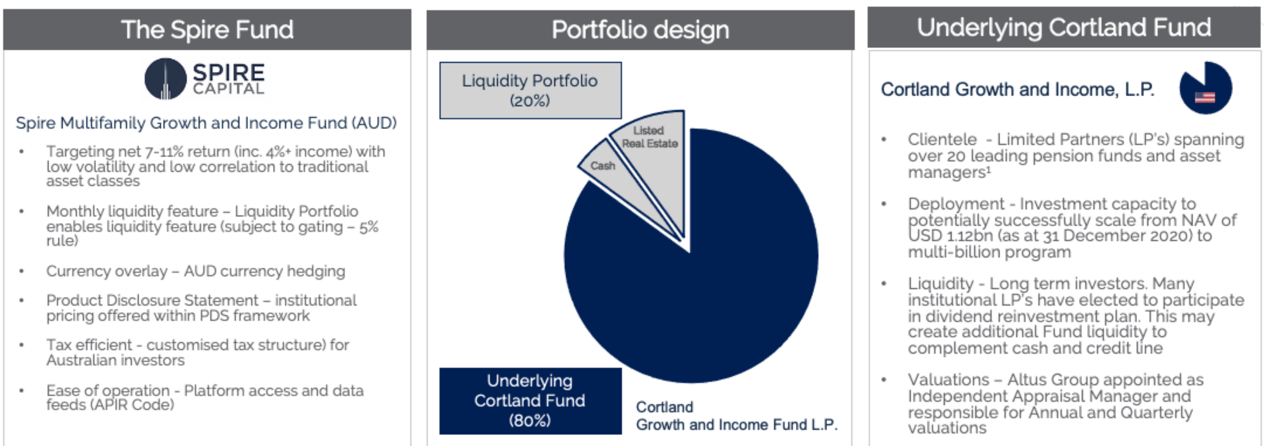
As of 31 December, 2020, the Underlying Cortland Fund's portfolio consisted of 33 multifamily assets comprising 10,999 units located in 10 metro areas: Atlanta, Columbus, Charlotte, Dallas, Denver, Fort Worth, Houston, Orlando, Phoenix and South Florida. The Portfolio was valued at a GAV of USD 2.27bn with NAV of USD 1.12bn. Approximately 70% of the Portfolio is Core-plus, 26% is Core-plus (Lease up) and 4% Value-Add. Occupancy stood at 89.6%.

Rochford Group has been engaged by Spire Capital as the currency overlay manager for the Fund. Rochford Group will implement a hedging program using rolling one to three-month forward contracts with a target hedge ratio of 100%.

US Multifamily Market Overview

- Large – 2nd largest asset class in the US behind Commercial Office
- Liquid - Typically USD 180bn+ of transaction volumes each year
- Mature capital markets - strong institutional ownership and deep debt markets across agencies, insurance companies and banks
- Favorable long-term trends
    - Growing student debt making homeownership more challenging for many college-educated workers
    - Life-stage delays resulting in part from housing cost dynamics, migration to affordability underway, namely to the Sun Belt and suburban areas
    - Aging Baby Boomer population supports rental demand

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.



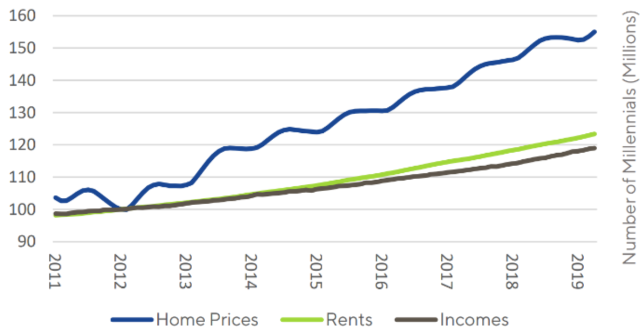
Customised access vehicle for Australian investors seeking US Multifamily real estate (monthly-liquidity feature)

US Multifamily Real Estate - why now?

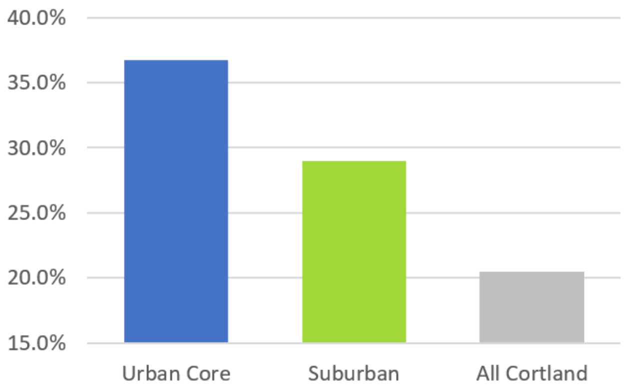
Spire and Cortland believe a confluence of factors currently combine to make a compelling resident case for renting and and investment case for US Multifamily real estate:

1. **Demand** - secular trends continue to support renting in the US (inc. mounting student-debt, aging population, immigration). Further, home prices have significantly outpaced incomes making buying a home simply unaffordable for many Americans. Meanwhile, select 'high-growth' US cities continue to grow faster than the US economy at large as people continue to migrate to affordable, low-tax, high job-growth sunbelt markets. This migration has been accelerated by C-19 with warmer climates and open-space highly desirable. These markets include Atlanta, Dallas, Phoenix, Charlotte, Nashville, Orlando et al. The suburbs of these cities offer renters an excellent affordability and value proposition

Incomes, Rents and home Prices (Index, January 2012 = 100)



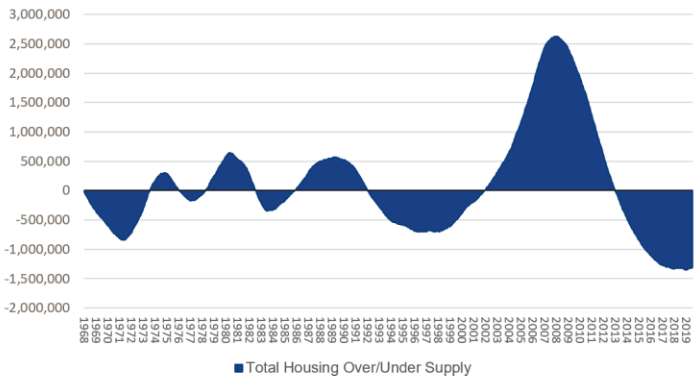
Rent to Pre-Tax Income by Jurisdiction



* The ratio of monthly effective rent to monthly pre-tax income. Average across submarkets classified as "Urban Core" and "Suburban" in Cortland markets.

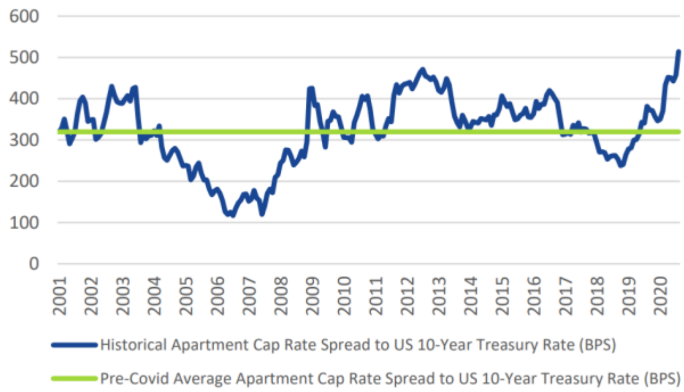
2. **Supply** - Freddie Mac estimates the shortfall of US housing supply at c.2.5m units. C-19 has worked to delay construction projects to further exacerbate the supply shortage. New supply has been concentrated in downtown 'A product' ('glass and steal buildings') with developers in search of higher asking rents. This has left the 'B product' units in high-growth cities and suburban sub-markets highly attractive given lack of supply and ability for quality operators to drive rent growth

Estimate of Cumulative Over/Under Supply of Housing



3. **Pricing** – capitalisation (cap) rates indicate pricing has become highly attractive relative to the risk-free rate. The current US multifamily cap rate spread is around 500bps vs long term average of 320. For context, the spread tightened to 122 in the lead up to the Global Financial Crisis (GFC). In spite of a strong case for future cap rate compression, leading operators with in-house asset and property management are able to underwrite cap rate expansion (i.e. market deterioration baked into expected returns) while still solving for low-double digit returns

Cap Rate Spreads: Bound to Adjust



4. **Resilience** - US Multifamily occupancy has ranged from 92 to 95% over the last 20 years. Multifamily rent growth had a modest decline during the GFC and was fastest to recover relative to other real estate types. Debt packages secured against multifamily assets are covenant lite and inexpensive (i.e. proxy for low risk) with strong liquidity on offer from the agencies, insurance companies and traditional banks. Net Operating Income is underpinned by durable cashflows owing to hundreds of tenants per property

5. **Diversification** - US Multifamily real estate introduces a new source of returns, backed by highly resilient cash-flows and hard assets. Low correlation to public markets and traditional other types of real estate

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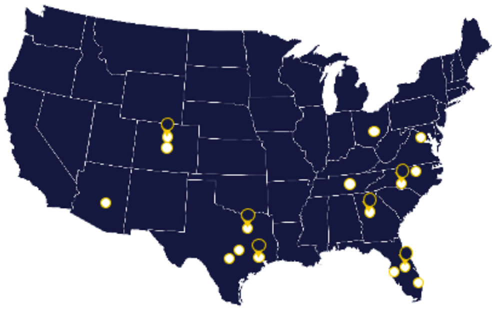
1. *"Incomes, Rents and home Prices (Index, January 2012 = 100)". Source: Freddie Mac, The Harris Poll Consumer Omnibus Results, June 26, 2019.*
2. *"Rent to Pre-Tax Income by Jurisdiction". Source: Cortland Aggregation of Axiometrics Data.*
3. *"Estimate of Cumulative Over/Under Supply of Housing". Source "The Major Challenges of Inadequate US Housing Supply", Freddie Mac, December 2018*
4. *"Cap Rate Spreads: Bound to Adjust". Source: Real Capital Analytics, 2020.*

Cortland Partners LLC

Cortland Partners LLC

Founded in 2005 as a multifamily development company, Cortland is now a global multifamily investment, development and management firm. As of 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 markets. Cortland serves over 90,000 residents and employs more than 1,800 associates.



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

Headquarters[3]
Atlanta (259 associates)

Regional Offices[3]
Charlotte (12 associates)
Dallas (40 associates)
Denver (10 associates)
Houston (21 associates)
Orlando (16 associates)

Investment Strategy

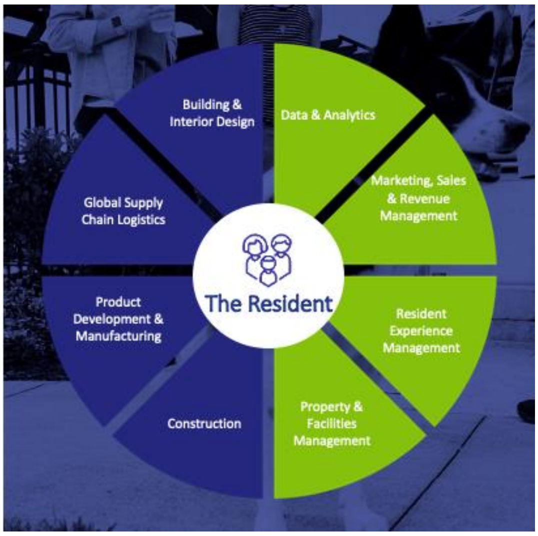
The investment strategy marries together a systematic approach to identifying attractive cities and sub-markets with an active business plan at the asset level. Cortland combines the efficiency of a vertically integrated operating model with a market-leading focus on the tenant experience. Cortland is 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

Regional interior design teams focus on the amenity space, furnishings, and interior/exterior finishes by appealing to trends specific to each asset's marketplace. Cortland's Chief Experience Officer (ex-Disney) leads the design and delivery of resident experience.

A market leading approach to facilities management (85% of service requests completed in 24 hours), state-of-art fitness facilities/programs ('Elevate by Cortland') and self-service App (Cortland Plus) have all contributed to service excellence awards and Google rating of 4.34 vs 3.57 for market, By focusing on the resident experience, Cortland continues to systematically drive rent growth, occupancy and tenant retention.



From a cost management perspective, Cortland has developed an integrated supply chain, via procurement from Asia, which imports substantial material through a high-volume manufacturing vendor pool. These materials are procured at a significantly lower cost compared to purchasing at wholesale and in bulk in the US (e.g sinks, taps, blinds, fixtures, cabinets) and are obtained at a 40% to 65% discount to domestic prices, including transportation costs, and are comparable to premium brands found in newly developed communities.

Spire and Cortland believe 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.

Cortland and COVID-19

In aggregate, Cortland's rental growth has proven to be consistently 20% higher than targeted sub-markets (i.e. buffer). Rent collections across Cortland's portfolio during C-19 (i.e. CY2020) have been in excess of 98% while occupancy has increased as high-quality affordable rental accommodation (e.g. USD 1500/mth) in low-density suburbs continues to be more desirable for US apartment renters. Cortland's residents average a rent to income ratio of 20% (i.e. highly affordable) while living in desirable ('affordable luxury') accommodation.

The Underlying Cortland Fund

The Underlying Cortland Fund is the Cortland Growth and Income, L.P ('CGI'). CGI is an open-ended, core-plus fund focused on acquiring best-in-class, income- producing multifamily properties in US growth markets. The Fund targets 10- 12% gross annual returns utilizing max leverage of 50%. The Fund delivers a balance of income and capital growth with a target income stream of 4% per annum. CGI has predominantly an institutional clientele including in excess of 20 US pension funds and asset managers. Cortland appointed Altus Group Independent Appraisal Manager who are responsible for Annual and Quarterly valuations.

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2020 CGI Acquisitions


Cortland Lincoln Station | Denver, CO


Cortland at Coalton | Denver, CO


Cortland Inkwell Greenhouse | Houston, TX


Cortland Stonebrier | Dallas, TX


Cortland NoDa | Charlotte, NC


Cortland Delray Station | Delray Beach, FL

Geographic Focus	**Primary Growth Markets (70%):** Atlanta, Charlotte, Colorado Springs, Dallas-Ft. Worth, Denver, Houston, Nashville, Orlando, Raleigh-Durham, Tampa, Washington DC Metro **Other Growth Markets (30%):** Austin, Phoenix, San Antonio, South Florida

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Footnotes

Figures as of December 31, 2020, unless otherwise noted.
7. Figures above are provided by Altus Data Bridge services through Q3 2020
8. Valuations performed as of 30 September 2020 by Altus Group.

CORTLAND GROWTH AND INCOME, L.P. SNAPSHOT

$2.3B Gross Real Estate Asset Value	$1,122.8 M NAV	10,999 Units	33 Real Estate Assets	46.3% Leverage	89.5% Occupancy

Figures as of December 31, 2020 unless otherwise noted. Occupancy figure stated represents the total portfolio average, including many assets recently acquired in lease-up. For the stabilized assets, occupancy was 94.5% as of December 31, 2020.

Terms

Fund Name & APIR Code	Spire Multifamily Growth and Income Fund Founders (AUD) Hedged Class (APIR Code: ETL4846AU; and Spire Multifamily Growth and Income Fund Founders (AUD) Unhedged Class (APIR Code: ETL2937AU)
Fund Type	Evergreen Fund – open-ended with monthly applications and redemptions (subject to liquidity[1])
Constituent Documents	Product Disclosure Statement
Commencement	Q1 2021
Fund Manager	Spire Capital Pty Limited
Responsible Entity & Custodian	Equity Trustees Limited
Investment Manager	Cortland Partners LLC
Applications	Monthly (Cut-off by 20th Calendar Day)
Minimum Investment	AUD 20,000 or as per administration platform
NAV Unit Pricing	Net Asset Value (NAV) unit pricing will commence on a monthly basis following inception
Distribution Frequency	Semi-annually as at 30 June and 31 December
Target Return	Net 7-11% per annum (including 4% income) over rolling 5 year periods
Investment Strategy	The Fund will invest via Spire structure in a Delaware Limited Partnership (Cortland Growth and Income, L.P.) and VanEck Vectors FTSE international Property (Hedged) ETF – the 'Underlying Funds'. The target investment mix is 80% Cortland, 15% VanEck and 5% cash. The investment in the VanEck ETF is to support the Fund's monthly redemptions. The Cortland Growth and Income, L.P. seeks to achieve its performance objective by investing in multifamily properties located in target growth markets in the United States, acquiring stabilized assets below replacement cost and utilizing the extensive Cortland platform to deliver returns comprised of recurring income and capital appreciation. The Fund will primarily target investments in Primary Growth Markets and may invest up to 30% of its equity capital in the Other Growth Markets. "Primary Growth Markets" initially means Atlanta, Orlando, Dallas, Houston, Charlotte, Raleigh-Durham, Washington DC Metro, and Denver. "Other Growth Markets" initially means Austin, San Antonio, Phoenix, Las Vegas, and South Florida.
Currency Management[2]	Hedged Class – Rochford Group will implement a hedging program for the Underlying Fund using rolling one-to-three-month forward contracts with a target hedge ratio of 100%. The Underlying ETF is hedged back to AUD
Liquidity	Liquidity is offered on a monthly basis (subject to gating provisions)[1]
Management Fee	• Founders share class – 1.10% p.a. of NAV (accessible to all investors until the earlier of Spire Fund reaching 100m or 31 Dec 2021) • Wholesale share class – 1.30% p.a. of NAV (accessible to investors upon Founders share class closing to the new investors)
Performance Fee	Spire Fund – Nil Underlying Funds • Van Eck – Nil • Cortland – 10% over 7% hurdle[3]
Tax considerations	Unitholders are not required to file US tax returns nor provide a US IRS W8-BEN form. 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.
Spire Capital Commitment	AUD 1m

[1] Monthly liquidity until net redemptions move through 5% of the previous quarter's Net Asset Value (NAV). If net redemptions move through 5%, the Spire Fund is gated and an orderly redemption queue is formed. The redemption queue is served over following months (first in, first served basis). During this period, the Spire Fund may make a redemption from the Underlying Funds.

[2] Estimated total weighted average Management Fee of 1.30% on NAV broken down as follows: Spire Fund – 0.60% on NAV plus Underlying Funds – 0.70% weighted average (Cortland – 0.80% on NAV – target allocation of 80%, Van Eck – 0.39% on FUM – target allocation of 15%).

[3] This Fee only applies to the Underlying Cortland Fund and has been estimated to equate to 0.20% since inception (see PDS for more information). Performance Fees do not apply to the Liquidity Portfolio (i.e. Underlying REIT and cash) or at the Spire Fund level.

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Important Information

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