Spire US Data Centre Colocation Fund II (AAUD)

Fact Sheet

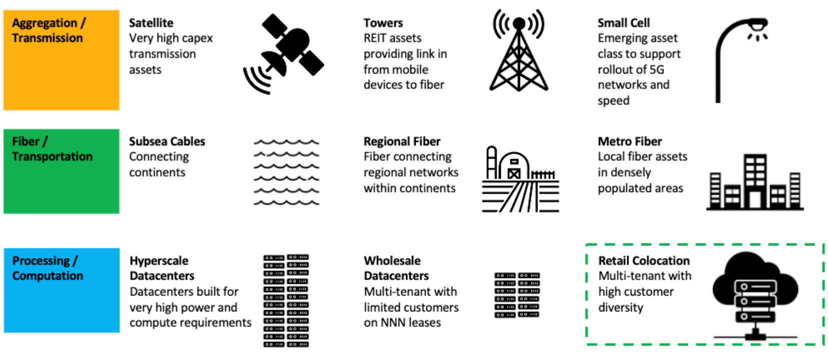
Introduction to Data Infrastructure

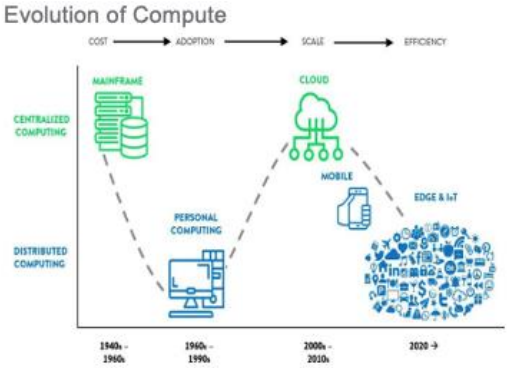
Spire Capital Pty Ltd ("Spire") continues to have high conviction in select pockets of global private markets (i.e. 'sweet spots'). This includes working in partnership with Valterra Partners LLC ('Valterra'), to find attractive direct co-investment opportunities within the field of private equity infrastructure. More specifically, this means investment opportunities attached to essential services, underserved end-markets and long-term secular demand trends (e.g. data consumption).

As the world progresses through COVID-19 crisis, the resiliency of "Core" infrastructure assets is being tested as air travel, vehicle movements, energy demand and port throughput are all materially impacted. Meanwhile, **data is proving to be essential to all sectors of the economy** through the disruption. For context, 2022 is forecast to have more data computed than the entire 1984-2016 period as data intensity increases and use cases multiply. Internet users, connected devices and speeds continue to increase significantly, creating significantly more demand for data infrastructure services. The assets that provide the access to data (towers, fiber and datacenters) are increasingly being viewed as critical infrastructure to the economy. Data centres are increasingly being viewed as infrastructure assets because they possess many of the same key attributes as traditional core infrastructure investments including long term contracts, stable and predictable cash flows, high free cashflow generation and stable underlying demand drivers.

Spire started working with Valterra in 2019 to better understand the global landscape for data and the infrastructure that enables its transmission. **Data Centres sit at the centre of the data infrastructure system** as the point where crucial storage and computing takes place. In particular, data centres at the "edge", i.e. close to major metropolitan areas and thus close to end consumers, are increasingly important as the internet architecture undergoes a significant transformation as a result of the **requirement for zero latency from many users**.

Data Infrastructure universe





Within the data centre universe sits **Retail Colocation** whereby data centre services are offered to medium-large enterprises and to managed service providers for smaller enterprises. Currently, **60% of such enterprises do not locate in data centres**, providing a significant opportunity for growth. Data centre colocation has numerous benefits (vs. having an on-premise 'server closet') including security, energy efficiency, networking, access to dark fiber, proximity of multiple ISPs, uninterrupted power supply and virtually 100% up-time. In addition, enterprise transition to retail colocation over traditional storage has been shown to **reduce data storage and computing costs by 60-70%.** Retail colocation services in edge locations also allow large enterprises to have smaller "points of presence" close to consumers with the lowest available latency.

	Real Estate Assets	Operating Infrastructure	Consumer Facing
Assets	• Hyperscale datacenters • Wholesale datacenters • Satellite • Towers • Subsea cable	• Retail colocation datacenters • Regional / metro fiber assets	• Consumer applications • Data equipment • Software solutions • Devices
Valterra view	• Very high fixed capital expenditure requirements • Often a "cap rate shootout" with limited operating upside	• Optimal mix of contracted revenue and moderate capex profile • Operating upside through partnering with experienced management teams	• Limited visibility / proof of concept / barriers • Sales / churn focused • Often VC-style risk profile

The 'sweet spot' in data infrastructure - Retail colocation data centres

Valterra has been working with telecommunications industry participants and consultants for many years including reviewing (and declining) dozens of opportunities within the sector over the past four years. Following extensive research, it became evident that real estate assets (i.e. wholesale datacenters and cell phone towers) had benefited from highly efficient institutional capital markets and trade on a relatively unattractive (tight) cap rates while requiring extremely large capital expenditure. At the other end of the spectrum, consumer facing telecommunications assets (often venture capital opportunities) remain vulnerable to low switching costs and high customer churn. To this end, Valterra clearly identified retail colocation as the optimal telecommunications infrastructure opportunity and set off to find an attractive investment. This culminated with the opportunity to invest alongside a world class management team in ColoHouse, a retail colocation data centre business.

Communications infrastructure assets vs. traditional infrastructure attributes

Infrastructure Attribute	Towers	Fiber	Wholesale Data centres	Retail Colocation Data centre
Defensive Market Position	Yes	Yes	Yes	Yes – competitive advantage locally due to existing connectivity and capital requirements
Long-Term Contracts	Yes	Yes	Yes – Long term leases	3-5 year contracts with 95%+ staggered renewal results in annuity-like revenue profile
Stable Underlying Demand Drivers	Yes, data transmission has proven to be the most resilient feature of the modern economy in recent times			
High Free Cashflow Generation	Yes	Yes	Yes, once stabilized	Yes, once stabilized, annuity revenue profile and low ongoing capex results in high free cashflow
Long-Lived Hard Assets	Yes – very high capex profiles			Lower capital expenditure profile than other asset classes, no real estate, long-term leases with buildout of power equipment and data-suite

Colocation data centre assets have received significant investment from leading infrastructure investment houses as part of their communications infrastructure strategies

Source data is from Valterra Partners LLC (as at 30 June 2021)

Spire US Data Centre Colocation Fund II (AUD)

ColoHouse is a leading provider of institutional quality data centre colocation services across the US. In early-June 2020, Spire finalised due diligence on Valterra's US data centre strategy and associated co-investment opportunity with ColoHouse. Spire has strong conviction that retail colocation services offered within high-quality data centres in attractive edge-market locations is the optimum way to capitalise on the secular demand trends for data.

To provide Australian investors with access to ColoHouse, Spire created the Spire US Data Centre Colocation Fund (AUD) ("Fund I") to capitalise the first 3 assets (NY, Miami, San Fran) and ColoHouse's integrated operating platform (inc. former TelX senior leadership, in-place M&A/integrations team, national sales and operations teams). Fund I invested in ColoHouse via an underlying investment entity (Valterra Data Holdings LLC), created and controlled by Valterra Partners, a specialist lower mid-market private equity firm based in New York. Fund I invested pari passu with Valterra's interest in ColoHouse and was established as an AUD denominated Australian unlisted unit trust.

Building on the success of the first 3 assets, Valterra and the ColoHouse management team resolved to accelerate expansion plans via another capital raise. 'Capital Raise 1B' will capitalise a pipeline of 4 acquisitions under Letter of Intent (USD7.0m of EBITDA at average 7.5x entry multiple) plus other visible opportunities. The USD 75m capital raise will deliver immediate profitability, synergies and scale to the business while creating a clear path to 30m+ EBITDA. Importantly, 1B will not be dilutive to target returns (28%IRR/4xMOIC), will de-risk the business plan and will not impact the expected holding period (5 years).

The Spire US Data Centre Colocation Fund II (AUD) ("Fund II") has been established as an AUD-denominated, unlisted Unit Trust to participate in Capital Raise 1B. Fund II make a follow-on investment in Valterra Data Holdings through the issuance of new Class-D shares.

Capital Raise 1B (Fund II) will be conducted in coordination with Capital Raise 2 (global institutional investors, led by UBS). Capital Raise 2 will be conducted in Q42021 (following Labor Day in the US) with a USD 150m target. Importantly, Capital Raise 2 will not be dilutive to target returns while further adding scale and diversity to earnings. The universe or target companies for acquisition and integration is fragmented and inefficient so highly attractive for a platform like ColoHouse. Valterra and the ColoHouse management team have demonstrated their expertise in acquiring and optimising assets with the Miami facility recently booking 5 months of revenue in 5 weeks while negotiating 'in-place expansion' through securing more capacity in the same facility.

The below table summarises the capital raising scheduled.

	Capital Raise 1A	Capital Raise 1B	Capital Raise 2
Investee Company		COLO Holdings LLC dba 'ColoHouse'	
Spire Feeder Fund	Spire US Data Centre Colocation Fund (AUD)	Spire US Data Centre Colocation Fund II (AUD)	Not Applicable
Underlying Investment Entity	Valterra Data Holdings, LLC	Valterra Data Holdings, LLC	Valterra Data Holdings 2, LLC
Amount (USD)	$36.9mm	$75.0mm*	$150.0mm*
Target Returns	28%+IRR/4x MOIC	28%+IRR/4x MOIC	28%+IRR/4x MOIC
Share Class	Class A (USD925k cashflow preference)	Class D	Class A VDH2
EBITDA (USD)	$-1.6mm	$5.5mm	TBA
EBITDA capacity	$12.8mm	$30+mm	$85+mm
Uses of Funds	•Acquire and fund ColoHouse management platform •Acquire Miami asset •Fund Orangeburg and San Francisco assets	•Acquire 3-asset Data 102 portfolio and "bare metal" product line •Acquire 2-asset Steadfast business •Acquire Vazata Dallas asset •Acquire LumeCloud business (enterprise cloud)	•Acquisiton of additional retail colocation facilities in line with investment strategy of hyper-interconnected retail colocation operations in "edge" metro markets and target returns of 28%+IRR/4x MOIC
Closing	CLOSED	August / September 2021	Dec-21
Valuation	1.0x	1.0x	1.15-1.20x**
Details	Original funding of platform and 3 seed assets	Expansion of portfolio to 9 locations and integration of 2 new product lines across the portfolio	Institutional capital raise in separate VDH vehicle. UBS engaged for US and European institutional capital

*Assuming full allocation taken up, **indicative only of current intentions and subject to finalization of due diligence

Underlying Investment opportunity

The ColoHouse opportunity has in-place key ingredients for a very successful transaction and requires capital to execute the strategy. The investment thesis is summarised below:

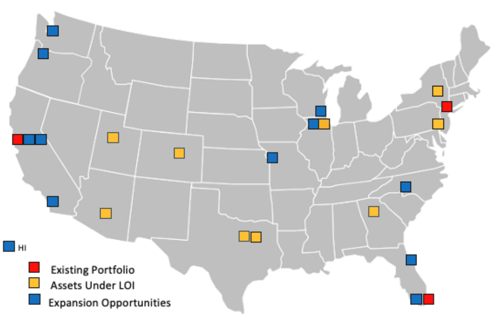
World Class Management Team with Extensive Track Record	• ColoHouse team is led by Todd Raymond who was the former co-founder and CEO of TelX, one of North America's largest and most successful retail colocation businesses that sold in 2011 for more than $750mM • As part of TelX, Mr. Raymond has a successful track record of identifying, acquiring and integrating more 20 colocation facilities to a single portfolio
Highly Favorable Industry Tailwinds Driving Growth	• According to Cowen Research, the retail colocation industry generally is expected to grow at 7% per annum and carrier neutral in particular are expected to grow at a 10% CAGR through 2025 • Increasing cloud adoption and new low-latency use cases are driving increased interest and investment in digital infrastructure with a growing focus on services, interconnection and development at the edge
Sticky, High Quality Customer Base	• Diversified (100+) customers per locations with 99.5% MRR renewal rates • Customers become 'embedded' within facility making to difficult, expensive and time-consuming to replicate their critical network connectivity in a new location • In-built organic growth as existing logos expand their networking requirements over time
Highly Interconnected Edge Locations	• Acquiring urban, network-dense retail colocation deployments with connectivity and proximity that is difficult to replicate (vs. centralized wholesale datacenters compete primarily on power & land costs and sub-regional supply/demand dynamics) • Interconnection will be a key differentiator moving forward as networks push more compute power closer to the edge
Recession Resistant	• Sticky-customer base, mission-critical nature of services, high switching costs and diversified, multi-industry customer base make retail colocation revenues highly resistant to recessions • From 2008 to 2010 Digital Realty Trust (DLR) and Equinix (EQIX) grew at an average compound annual growth rate (CAGR) of 28% and 30%, respectively; in 2020, DLR and EQIX grew year-over-year revenues by 9% and 20, respectively

Expansion plans

The 4 assets under LOI are all highly accretive to the existing platform; add combined $7.0m of new EBITDA to the portfolio at an average acquisition price of 7.5x. Upon completion of these acquisitions, the entire portfolio will generate $5.5m of EBITDA day-1 with in-place potential to expand to $22.3m of EBITDA at full capacity. All deals under LOI were sourced on a proprietary basis by Valterra and the ColoHouse team

(All value in USD millions unless otherwise noted)

Asset	Status	Phase	Current % Leased	Purchase Price ($mm)	Current EBITDA	Purchase Multiple	In-place EBITDA Potential	Forward Purchase Multiple
Orangeburg/Corporate	Purchased	Lease-Up	20%	$5.0	($2.9)	n.a.	$6.0	2.5x
Miami/Hague	Purchased	Stabilized	80%	12.5	1.5	8.3x	1.6	7.8x
Data102	Under LOI	Stabilized	75%	29.0	3.8	7.6x	7.0	4.1x
LumeCloud	Under LOI	Stabilized	n.a.	5.0	0.6	8.1x	2.1	2.4x
Steadfast	Under LOI	Stabilized	50%	10.0	1.2	8.3x	4.0	2.5x
Vazata	Under LOI	Stabilized	85%	8.0	1.3	6.2x	1.6	5.0x
Total				**$69.5**	**$5.5**	**12.6x**	**$22.3**	**3.1x**
San Francisco		Development	n.a.	12.5	n.a.	n.a.	5.0	2.5x
Lease-Up Reserve		Cash on BS	n.a.	4.0	n.a.	n.a.	n.a.	n.a.
Total Investment				**$86.0**			**$27.3**	**3.2x**



Value Creation Playbook

Platform Acquisition / Roll-up – target 70%+ leased, <$5m EBITDA with 7-12x purchase multiple and accretive in-place expansion opportunities
Optimize Operations - Dedicated M&A and integration teams roll-up acquisitions
In-Place Expansion - In-house design/build team (25 years of development experience) adding additional space & power
Lease-up - Complete lease-up of new and existing space and power
Multiple Uplift at Exit – diversified portfolio commands higher multiple

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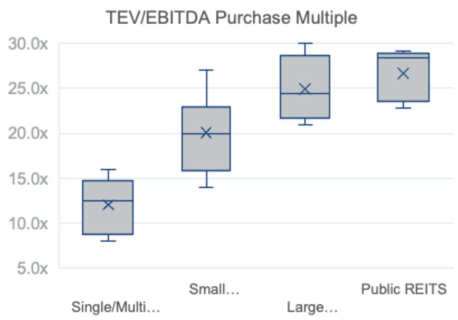
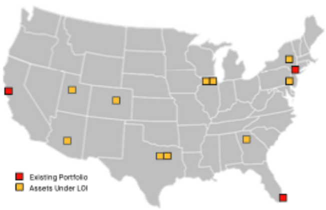
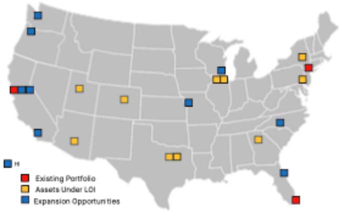


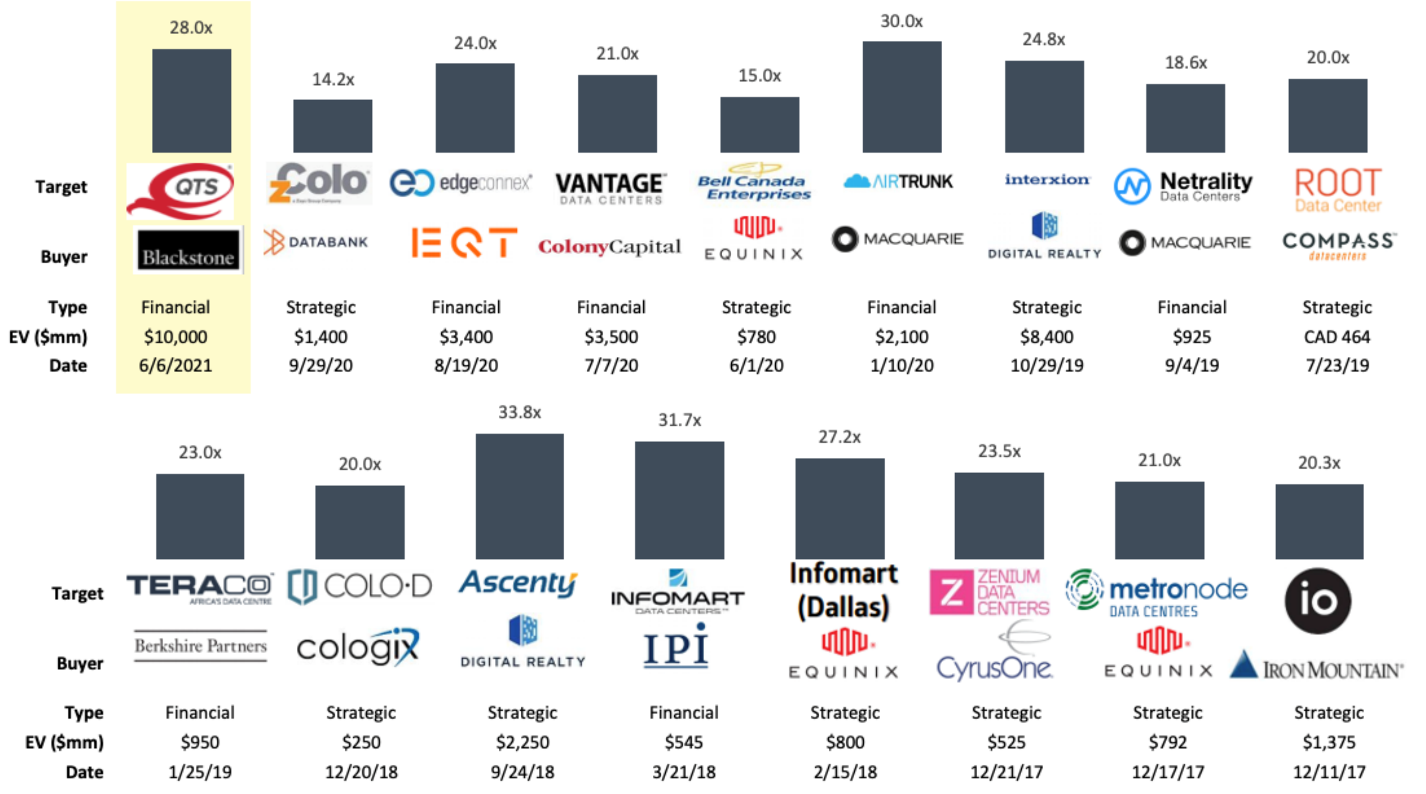
Target assets

Select Customers/Carriers

ColoHouse possesses an in place-portfolio, acquisition pipeline, sales and operating platform, M&A capabilities and track record to deliver a unique data infrastructure investment opportunity

	Today (post 1A raise)	Post 1B Raise	End Game (post 2)
Locations	3 locations (NY, SF, MIA)	9 locations + 4 significant points of presence	Premier, difficult to replicate national portfolio of retail colocation assets
			
Product Offerings	Retail colocation datacenter services, managed services	Existing PLUS: IaaS (infrastructure as a service or "bare metal"), enterprise cloud	Leading product offering relevant to edge and enterprise client base
Management Team	Former TelX senior leadership and M&A / integrations team	Onboard product, engineering, operations and c-suite level talent	Unparalleled team from execution perspective
Sales & Operating Platform	In-place sales and operations teams designed to scale with a larger portfolio	Grow local sales and operations presence, scale national sales and ops teams	Fully scaled national sales and operations platforms delivering significant synergies

Recent US Data Centre M&A



Source: Cowen Research

Valterra Partners LLC

Founded in 2015, Valterra Partners is a private equity firm that provides partnership capital to US-based businesses with compelling expansion prospects. In particular, Valterra focuses on companies that have infrastructure-like characteristics or that operate adjacent to traditional core infrastructure assets. These ‘infrastructure adjacent’ businesses benefit from the same underlying macroeconomic drivers but have a larger operating component that can generate higher risk-adjusted returns.

Valterra primarily targets investments in three sectors: Digital infrastructure; Transportation and Logistics; and Recycling and Renewables

Core to Valterra’s investment philosophy is partnering with best-in-class management teams in businesses that have a strong existing platform and a compelling strategic plan to unlock growth. To date, all of Valterra’s investments have been alongside existing founders and entrepreneurs who were seeking an institutional partner that could provide the financial and operational resources necessary to accelerate their companies’ growth trajectory.

Valterra traces its roots back to 2006 when the partners began investing together as part of Macquarie Capital’s (ASX:MQG) US-based merchant banking division. While at Macquarie, the partners invested $500 million of the group’s balance sheet capital into private equity opportunities as part of a larger $1 billion + US portfolio. In late 2014, the partners spun out of Macquarie and founded Valterra Partners to independently pursue these opportunities. The Valterra investment philosophy is a continuation of a strategy the team has developed and refined together since 2006.

Valterra’s target investment size is $25-100mm. For each investment, Valterra takes a flexible approach to investing, working hand-in-hand with existing stakeholders to develop a mutually agreeable investment structure. While our investments can be structured as either majority or minority positions, Valterra always takes an active role in managing its positions through a hands-on governance approach.

Post investment, Valterra works closely with management teams providing access to capital, strategic and operational expertise and access to a broad network of operating partners and industry contacts that can help transform a young business into an industry leader.

Fund Terms

Registered Fund Name & APIR Code	Spire US Data Centre Colocation Fund II (AUD) - Ordinary Units: APIR SPI5102AU
Fund Type	Wholesale Closed-Ended Fund
Master Fund	Spire Capital Master Fund, Australian unregistered unit trust, Information Memorandum here
Series	Spire US Data Centre Colocation Fund II (AUD) – the 'Fund'
Series Size	Min AUD 25m, up to AUD 100m
Term Sheet	Available here
Application Form	Available here
Trustee	Spire Capital Pty Ltd until commencement of Equity Trustees (date to be determined)
Fund Manager	Spire Capital Pty Ltd
Underlying Investment Manager	Valterra Partners, LLC
Underlying Investment Entity	Valterra Data Holdings LLC, which invests in COLO Holdings LLC dba ColoHouse
Target Return and Term	Underlying Investment Entity is seeking Net 20% IRR+/3xMOIC+ over 5-year hold
Custodian	One Managed Investment Funds Limited
Auditor	KPMG
Minimum Investment	AU$100,000
NAV Unit Pricing	Net Asset Value (NAV) unit pricing will commence on a monthly basis following the capital raising period.
Management Fees	**Fund** - 0.50% p.a. x NAV of the Series (paid monthly) plus GST **Underlying Investment Entity** – 2% x Capital committed to the Underlying Investment Entity
Performance Fee	**Fund** - Nil **Underlying Investment Entity** – 20% of profits, (subject to the Fund receiving 8% IRR)
Sourcing & Structuring Fee (one-off)	**Fund** - 0.50% plus GST of the application amount **Underlying Investment Entity** - 1% of the total capital commitments to the Underlying Investment Entity
Other Operating Expenses	The Trustee estimates direct operating costs and expenses to be 0.11% per annum plus GST based on the NAV of the Master Fund
Tax considerations	Unitholders are not required to file US tax returns. The Fund will invest into the assets of the underlying funds via a 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 paid by the Underlying Investment Entity's blocker 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.

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