

Introduction to Data Infrastructure

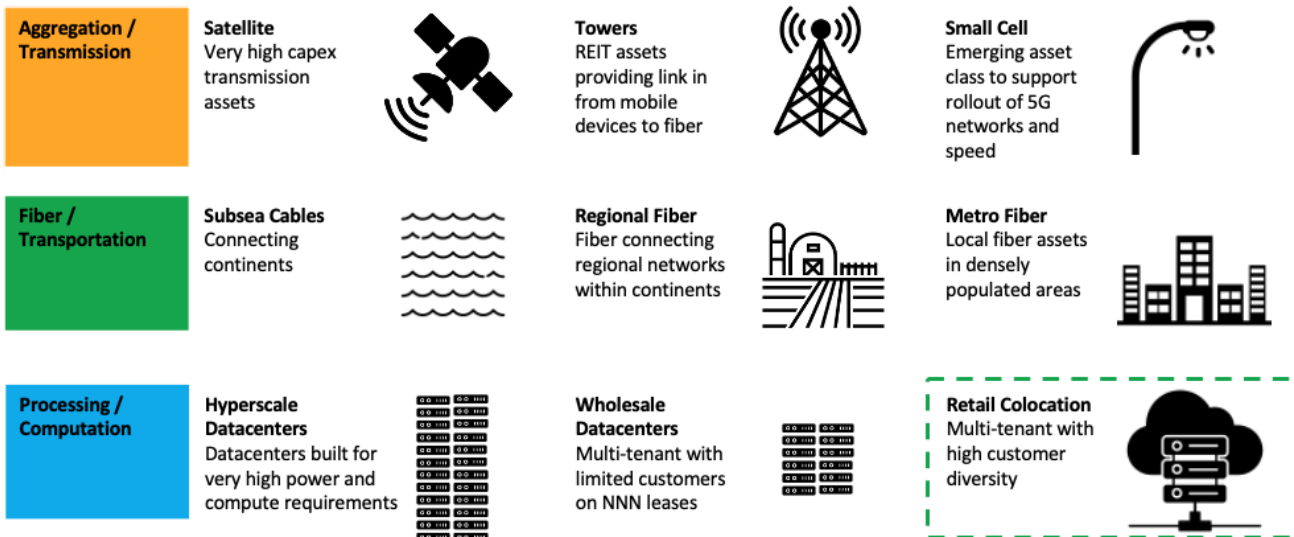
Spire Capital Pty Ltd (“Spire”) continues to have high conviction in select pockets of global private markets (i.e. ‘sweet spots’). This includes working in partnership with Valterra Partners LLC (‘Valterra’), to find attractive direct co-investment opportunities within the field of private equity infrastructure. 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. Data volumes in 2022 are forecast to be 3x those recorded in just 2017 and 11x 2012 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.

For the last 12 months, Spire has been working with Valterra 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	<ul style="list-style-type: none"> Hyperscale datacenters Wholesale datacenters Satellite Towers Subsea cable 	<ul style="list-style-type: none"> Retail colocation datacenters Regional / metro fiber assets 	<ul style="list-style-type: none"> Consumer applications Data equipment Software solutions Devices
Valterra view	<ul style="list-style-type: none"> Very high fixed capital expenditure requirements Often a “cap rate shootout” with limited operating upside 	<ul style="list-style-type: none"> Optimal mix of contracted revenue and moderate capex profile Operating upside through partnering with experienced management teams 	<ul style="list-style-type: none"> 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 1547 COLO, 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

Spire US Data Centre Colocation Fund (AUD)

In early-June 2020, Spire finalised due diligence on Valterra's US data centre strategy and associated co-investment opportunity with 1547 COLO. 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.

Fund will invest in 1547 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. The Fund will invest pari passu with Valterra's interest in 1547 COLO. The Fund was established in June 2020 and serves as an AUD denominated Australian unlisted unit trust. The Fund will be a fully paid-in structure whereby 100% of capital commitments will be called upfront.

To provide Australian investors with access to 1547 COLO, Spire has created the Spire US Data Centre Colocation Fund (AUD) ("the Fund"). The

Underlying Investment opportunity - 1547 COLO

Headquarters:	Orangeburg, New York	Investment Size:	US\$36.8m
Sector:	Datacenters	Security Type:	Preferred (1X Liquidation Pref)
Industry:	Telecommunications Infrastructure	Ownership:	75.0%
Primary Geography:	United States	Target Hold Period:	6 Years
Portfolio Size:	4 locations / 5.5MW / 52k sqft	Target Gross/Net IRR & MOIC:	28.2% / 4.1x 23.5% / 3.1x
Opportunity:	Retail Colocation	Preferred Return / Carried Interest:	8% Pref. Return / 20% Carried Int.

1547 COLO:

- Operates retail colocation data centre services. Following investment from Valterra/Spire, 1547 COLO will operate three locations in tier-one US metropolitan markets: New York, Miami and San Francisco. 1547 will also operate a location in The Hague, Netherlands
- Services "retail" data centre customers, comprised of a diverse mix of tenants across a range of industries, but most typically telecommunications, managed service providers, finance and content providers. 1547 COLO will hold long-term leases at its locations and then lease data centre capacity to its tenants under 3-5 year agreements, historically with 95%+ renewal rates
- Founded by CEO Todd Raymond, who was a co-founder of TelX, a retail-focused data centre provider that grew from a single facility to ultimately become a USD1.9bn acquisition by a data centre REIT (Digital Realty Trust). Todd has formed a highly experienced team across sales, operations and construction in order to execute on the business plan
- Affiliated with 1547 Critical Systems Realty ("CSR"). CSR is the developer, owner and operator of seven wholesale data centres targeting large customers on triple-net leases. 1547 COLO will provide the retail colocation services at the CSR locations as well as other potential data centre locations.

The 1547 COLO portfolio will initially be comprised of 3 key locations:

- Orangeburg, NY:** servicing the New York City market, the Orangeburg location is currently in lease-up with significant capacity for growth;
- Miami, FL:** a stabilized location in a highly connected "carrier hotel" data centre in downtown Miami offering access to gateway subsea cables to Central and South America;
- San Francisco, CA:** first new build location in key San Francisco for 10+ years in a high connectivity location seeking to tap significant latent demand; and

NEW YORK, NY – Late stage lease up



SAN FRANCISCO, CA – Development



MIAMI, FL – Stabilized with upside



Portfolio Asset Locations



The 1547 COLO investment involves the acquisition of the existing Orangeburg retail footprint and to provide additional capital to expand the retail business. As part of this stage of expansion, the JV will acquire two pure-play existing retail colocation centers in Miami and the Hague as well as begin development of a new retail colocation footprint within CSR's San Francisco facility. These acquisitions will result in a balanced four-asset portfolio with two cash flowing assets (Miami and the Hague), one asset in lease-up (Orangeburg) and one asset in development (San Francisco).

The Fund's investment in 1547 will contribute to the below sources and uses:

Equity	\$36.8mm	Orangeburg	\$9.0mm
		San Francisco	\$11.9mm
		Miami/Hague*	\$14.0mm
		Transaction Fees & Expenses	\$1.9mm
Total Sources	\$36.8mm	Total Uses	\$36.8mm

*Miami and the Hague being purchased together as part of an acquisition

Investment Highlights

World-class Management Team	<ul style="list-style-type: none"> Team comprised five 25-year industry veterans with backgrounds in data centre operations, lease-up, construction, and sales, allowing 1547 to provide a unique end-to-end capability for data centre development and operations Led by CEO Todd Raymond, the previous CEO of TelX, a retail colocation data centre business that Mr. Raymond co-founded in 2001 and that ultimately sold to Digital Realty Trust for \$1.9bn
Highly Favorable Industry Tailwinds	<ul style="list-style-type: none"> Multi-tenant data centre market will increase from \$35 billion in 2017 to \$90 billion in 2024, growing at 14% CAGR between 2019 and 2024; increased internet traffic, data volumes and new use cases driving increased demand 60% of enterprises are still in-house, providing a significant growth opportunity for retail colocation providers
Balanced Portfolio of Assets with Room for Growth	<ul style="list-style-type: none"> Institutional quality portfolio of 4 data centres with balanced mix of stabilized, lease-up and development assets Built-in room for growth through continued lease up, new deployments within the larger 1547 CSR portfolio (e.g. Chicago) and through strategic acquisitions of pure-play retail assets
Sticky, High Quality Customer Base	<ul style="list-style-type: none"> Diversified customer base across a multitude of industries (IT, Healthcare, Banking, Telecom, Pharmaceuticals, etc.) mitigates risk of customer concentration and/or industry-specific shocks Historically sub-1% annual customer churn as a result of high switching costs generates stable recurring revenue stream
Infrastructure Adjacent, Recession Resistant Business Model	<ul style="list-style-type: none"> Opportunity has telecommunications infrastructure-like growth drivers and stability but added operating component Highly stable recurring revenue with ability to grow through recessions (for enterprises, moving to a colocation model from an-in house deployment with dedicated IT staff generates significant cost savings)

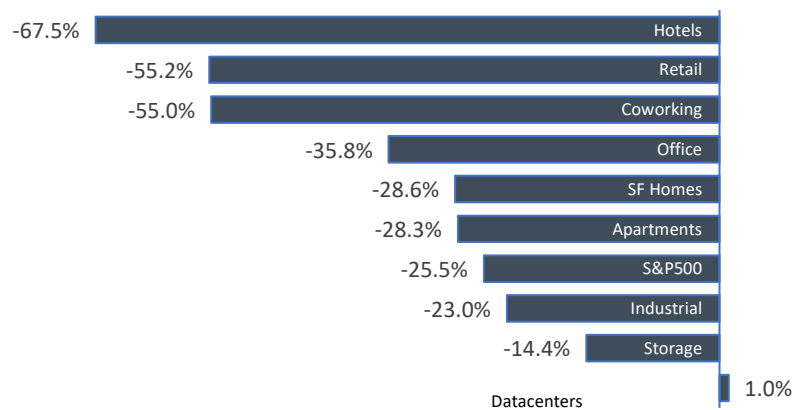
Industry tailwinds and proven resilience

Significant industry tailwinds include:

- Global internet IP traffic is set to double between 2019 and 2022 increasing from 2.4 Zettabytes to 4.6 Zettabytes (1 Zettabytes equals 1 trillion gigabytes)
- Traditional use cases continue to show sustained growth across cloud-based services, general internet traffic, gaming and other
- Growing and new use cases also driving demand: artificial intelligence, AR/VR, content streaming, IoT, vehicle autonomy, “big data” compute requirements, 5G, remote learning/working/health, industrial applications
- Increasingly, data is focused at the “edge” – a need for zero latency – resulting in data infrastructure requirements around major metropolitan areas



In March 2020 at the bottom of the market, data centers REITS significantly outperformed every other real estate asset class:



Valterra Partners LLC

Founded in 2015, Valterra is a New York-based private investment firm that provides partnership capital to lower middle market companies with compelling growth prospects. Core to Valterra’s investment philosophy is that their involvement is viewed as a partnership with existing stakeholders of the business and that their capital is used primarily as a catalyst to unlock growth.

Valterra traces its roots back to 2006 when the partners began investing together as part of Macquarie Bank’s (ASX:MQG) US-based merchant banking division. While at Macquarie, the partners invested USD 500m of the bank’s balance sheet capital into growth equity opportunities as part of a larger USD 1 bn+ US portfolio. In late 2014, the partners spun out of Macquarie and founded Valterra to independently pursue growth equity opportunities.

Valterra Investment Thesis	
Emphasis on Capital Preservation	<ul style="list-style-type: none"> • Preferred / “first-out” structure with large asset base as collateral • Capital deployment schedule to manage exposure over time • Limited use of leverage to weather varied market environments • Primary capital for growth rather than buyout of existing owners
Investment Acts as Catalyst for Growth	<ul style="list-style-type: none"> • Visible growth opportunities requiring identifiable capital need • Funds used for high ROA opportunities that act as a real catalyst for growth • Significant operating component to leverage asset base • Demand supported by positive macro or demographic trends
Focus on Capable, High-Quality Management Teams	<ul style="list-style-type: none"> • Seek high-quality management teams with deep sector knowledge and strong industry track record • Implement partnership governance structure to align incentives and actively represent Valterra interests
High Free Cash Flow Conversion Capability	<ul style="list-style-type: none"> • Ability to generate a significant cash-on-cash yield post stabilization • Option to take current yield on business or to reinvest in accretive opportunities to continue to drive growth in business

Indicative Terms

Registered Fund Name & APIR Code	Spire US Data Centre Colocation Fund (AUD) - Ordinary Units: APIR – SPI2750AU
Fund Type	Wholesale Closed-Ended Fund
Master Fund	Spire Capital Master Fund, Australian unregistered unit trust
Series	Spire US Data Centre Colocation Fund (AUD) – the ‘Fund’
Series Size	Up to USD 36.8m
Term Sheet	Available here
Commencement	Open for investment from 6 July 2020
Trustee and Fund Manager	Spire Capital Pty Ltd
Underlying Investment Manager	Valterra Partners, LLC
Underlying Investment Entity	Valterra Data Holdings, LLC
Custodian	One Managed Investment Funds Limited
Auditor	KPMG
Applications	Daily during the Offer Period, which is anticipated to run until 31 July 2020 – 31 December 2020
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.
Distribution Frequency	Any distributable income, gains or returns of capital will be distributed annually as at 30 June commencing 30 June 2021, subject to the terms of the Underlying Fund.
Liquidity	Nil - Closed-ended 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 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 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.
Management Fees	Fund - 0.50% p.a. x NAV of the Series (paid monthly) plus GST, payable to Spire Capital Pty Ltd at the Master Fund level 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 the Preferred Return of 8% IRR)
Sourcing & Structuring Fee (one-off)	Fund - 0.50% plus GST of the total capital commitments made by the Series Sub-Trust into the Underlying Investment Entity. Underlying Investment Entity - 2% of the total capital commitments made by the Master Fund into 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. 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. In addition, the Fund will bear expenses (including, but not limited to, organizational expenses and operating expenses) associated with its investment in the Underlying Fund – please refer to the Underlying Fund’s PPM for additional information. These expenses will indirectly be born by the investors in the Fund as a result of their investment in the Fund.

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Important Information

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