



# Annual Financial Report

FOR THE YEAR ENDED  
31 MARCH 2021

ARSN 624 474 531

## RESPONSIBLE ENTITY



E&P Investments Limited  
(ACN 152 367 649) (AFSL 410 433)



# Directory

## CD Private Equity Fund IV

(ARSN 624 474 531)

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## Responsible Entity

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(ACN 152 367 649)

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## Directors

Stuart Nisbett  
Peter Shear  
Warwick Keneally  
Mike Adams

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## Secretaries

Caroline Purtell  
Hannah Chan

## Auditor

### Deloitte Touche Tohmatsu

Grosvenor Place  
225 George Street  
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## Unit Register

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# Report to Unitholders

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**For the year ended 31 March 2021**

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Dear Unitholders,

On behalf of the Board of the Responsible Entity, I am pleased to provide you with the annual report on the performance of the CD Private Equity Fund IV (**Fund**) for the year ended 31 March 2021 (**FY21**).

## Financial performance

Private equity markets rebounded strongly in late 2020 and into 2021 following a period of heightened uncertainty and reduced activity associated with the pandemic. Performance of the Fund's investment in the US Select Private Opportunities Fund IV, L.P. (**LP**), the investment vehicle through which the Fund invests in the underlying US private investment funds, was strong during the period, up approximately 57.5% in US dollar (**USD**) terms. When translated into Australian dollars as at 31 March 2021 for the purposes of reporting however, the return was largely offset as a result of the rebound in the Australian dollar (**AUD**), which rose 23.9% against the USD. The performance of the Fund on a total return post-tax Net Tangible Asset (**NTA**) basis, taking into account Unitholders capital contributions in April 2020, was positive, up 15.2% for FY21. Longer-term performance has been strong, particularly when considering the Fund is still in the investing stage, with the Fund returning 12.0% p.a. since inception.

Underlying the NTA returns, this year's financial results are pleasing. Net profit was \$24.6 million or 20.8 cents per Unit, compared with \$12.5 million or 10.6 cents per Unit for the previous financial year (**FY20**). The key components of this result include a foreign exchange loss of \$8.5 million, a \$68.5 million fair value movement gain in the Fund's investment in the LP offset by a \$25.6 million unrealised foreign currency translation loss. At 31 March 2021, the Fund had pre-tax net assets of \$196.3 million representing \$1.66 per Unit and post-tax net assets of \$187.4 million representing \$1.59 per Unit.

To recap the partly paid structure in the Fund, the issue price of Units was \$1.60, to be paid in five instalments of \$0.32. Three instalments had been called by FY20 and Unitholders were asked to pay the fourth instalment of \$0.32 in April 2020. Following completion of the fourth capital call, \$1.28 or 80% of the issue price for each partly paid unit has been paid, and only one more capital call remains outstanding.

## Investment activity

The Fund's investment objectives are to provide Unitholders with exposure to a portfolio of investments in small and mid-market private investment funds and privately held companies, predominantly in the US, and capital growth over a five to ten-year investment horizon.

Through its investment in the LP, the Fund is fully committed across 12 US private investment funds all focused on small-to-mid-market private investment opportunities, for a total investment of US\$145.0 million.

The US private investment funds have been selecting and investing in small to mid-size private businesses since the Fund's inception in April 2018. As a result, many of the underlying business opportunities are still in an early stage of investment. This is evident in the fact that at 31 March 2021, US\$95.6 million (or 73.5%) of total funds committed to the LP had been called. The Fund's proportionate share of the capital called is approximately US\$84.5 million (an 88.4% share).

During the period, the LP received 34 drawdown requests, and benefitted from 11 distributions, including capital returns. Net drawdown requests from underlying investment funds were US\$20.4 million (or 14.1% of total commitments) and net distributions were US\$3.8 million (or 2.6% of total commitments).

## **Market activity and impact of COVID-19 on the Fund**

FY21 has been a challenging period, at an individual as well as corporate level, however capital markets have made a remarkable recovery, supported by central bank policy, government spending and successful vaccine rollouts. The impact of COVID-19 will continue to be felt throughout 2021 and possibly beyond, and despite economies re-opening we are seeing recurrent waves of infection globally. Despite this, activity has recovered across capital markets and the portfolio, and valuations of recent transactions can only be characterised as strong. While the Fund's portfolio has seen a small number of negative impacts to underlying valuations as a result of the pandemic's impact on markets, most investments held or increased in value through the year (all underlying investment funds recorded gains in US dollar terms for calendar year 2020) and while it is still early in the life of the Fund there is a shared confidence that it will prove to be successful.

The portfolio is well diversified, and its strong performance during FY21 reflects the quality of both the underlying managers and their portfolios of investments, and validates the investment strategy of the Fund. Recent strong activity across the broader small-to-mid private equity market, high levels of dry powder (unused or uninvested capital) across the PE sector and even the emergence in the US of listed Special Purpose Acquisition Companies (**SPACs**) are all encouraging for the future of the Fund.

I would like to thank Unitholders for their continued support and look forward to presenting future updates on the Fund and the small-to-mid-market US-based private investment market, in which the Fund is invested.

Yours faithfully,



**Stuart Nisbett**

Independent Chair of E&P Investments Limited

28 May 2021



# Manager's Report

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**For the year ended 31 March 2021**

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COVID-19 has placed significant and prolonged stress on a number of sectors across the US economy. We are pleased to report that while the pandemic, at its peak, disrupted the private capital market in the US, activity rebounded strongly into year-end, and the underlying investments of the LP performed well.

We are pleased to provide you with a summary of the significant capital events that occurred at a partner fund level through FY21. We note that some of the underlying investment funds are well advanced considering their maturity, and across the portfolio the underlying investment managers continue to deploy capital. We have a high degree of confidence in the underlying investment managers and are excited by the investment opportunities that continue to emerge.

## **Trivest Fund IV, L.P. (Trivest)**

Trivest called capital in Q2 2020 to fund an investment in Fortress Brand, a New York-based provider of retail management services designed to help brands maximise sales and marketing efficiency in online marketplaces.

## **Wavecrest Growth Partners I, L.P. (Wavecrest)**

Wavecrest called capital for investments into Stirista Holdings and Volante Technologies in Q2 2020, Inc. Stirista is a San Antonio based analytics, data, and digital marketing specialist company. Volante Technologies is a global provider of technology and software as a service to accelerate digital transformation and modernisation in financial services.

Wavecrest called capital from the LP in Q4 2020 and again in Q1 2021 to fund further investments, including Pole Star Space Applications Limited, a provider of cloud-based compliance software solutions to the maritime sector.

## **Quad Partners V, L.P. (Quad)**

Quad sold portfolio company Cayuse Holdings, LLC in Q3 2020, resulting in a distribution of US\$0.9 million.

## **CORE Industrial Partners Fund, LLC (CORE)**

In Q3 2020 CORE sold Prototek Holdings LLC resulting in a distribution of US\$2.4 million. CORE also called capital to fund new investments in Arizona Natural Resources (**ANR**), Incodema Holdings, LLC (**Incodema**), J&K Ingredients Corp (**J&K**) and TGC Legacy Inc (**TGC**). CORE also called capital from the LP in Q4 2020 for further portfolio investments.

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ANR operates a midsize beauty manufacturing business that makes custom product formulations, specialising in skin care and hair care. CORE formed a new platform, Incodema Holdings LLC, acquiring Incodema, a precision sheet metal engineering solutions provider, and Newchem Inc. (**Newcut**), a leading photo chemical etching manufacturer, specialising in micro, intricate parts and serves customers from prototype through high-volume production. J&K is a leading manufacturer of baked goods ingredients with an emphasis on natural, organic and clean label products. TGC is a leading marketing solutions provider, specialising in printing and packaging services for pharmaceutical, consumer products, technology and higher education companies and institutions.

## **Gainline Equity Fund, L.P. (Gainline)**

Gainline called capital from the LP in Q1 2021 to fund investments in Galaxy Universal LLC (**Galaxy**) and Galaxy's subsequent follow-on acquisition of Apex Global Brands (**Apex**). Galaxy is a leading vertically integrated brand owner, brand manager and sourcing company in the global outdoor and athletic industry.

## **U.S. Select Direct Private Equity II, L.P. (US Select II)**

US Select II called capital in Q3 2020 to fund investments in BBQGuys.com, an online retailer for grilling and barbecuing supplies, and to make a follow-on investment in an existing portfolio company, SportsRadar.

In Q1 2021 the Fund received shares in NYSE listed Callaway Golf Company following completion of their merger with portfolio company Topgolf. This position was sold on market with the last remaining shares sold subsequent to the end of FY21.

Rucker Park Capital Fund, L.P. (**Rucker Park**), Astra Partners I, L.P. (**Astra**), Tower Arch Partners II, L.P. (**Tower Arch**) and Nosara Capital Fund I, L.P. (**Nosara**) also called capital for investment purposes during FY21. Incline Elevate Fund, L.P. (**Incline**) and Elephant Partners Fund II, L.P. (**Elephant**), also called capital for investment purposes, but also made distributions to the LP in Q1 2021, just prior to the end of FY21.



# Directors' Report

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**For the year ended 31 March 2021**

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The directors of E&P Investments Limited (formerly Walsh & Company Investments Limited), the Responsible Entity of the CD Private Equity Fund IV (formerly Cordish Dixon Private Equity Fund IV) (**Fund**), present their report together with the annual financial statements of the Fund for the financial year ended 31 March 2021.

## Directors

The directors of the Responsible Entity at any time during or since the end of the financial year are listed below:

- Stuart Nisbett (**Chair**)
- Warwick Keneally
- Mike Adams
- Peter Shear

Directors were in office since the start of the financial year to the date of this report unless otherwise stated.

Information on the directors:



### **Stuart Nisbett**

Stuart is currently Executive Director and Principal at Archerfield Capital Partners, a boutique corporate advisory firm specialising in real estate, which he established in 2008. He has more than 30 years' experience in property development, property funds management, equity and debt raising, corporate advisory and project finance.

Previously, Stuart was Executive Director, Head of Property Funds at ANZ Investment Bank. He was also the Managing Director, Head of Property Banking & Property Investment Banking at N M Rothschild & Sons (Australia) Limited. Stuart has also held senior roles at director level at Macquarie Bank Property Investment Banking Division and at Lendlease Corporation in its development and commercial asset management divisions.

Stuart is a Chartered Accountant and holds a Bachelor of Commerce with Merit and a Masters of Commerce from the University of NSW, and in 2005 was appointed a Fellow of the Australian Property Institute.



### **Warwick Keneally**

Warwick is Head of Finance at E&P Funds, the Funds Management division of E&P Financial Group Limited and Chief Financial Office of New Energy Solar Manager. Before joining E&P Funds, Warwick worked in chartered accounting firms specialising in turnaround and restructuring. Warwick started his career with KPMG, working in their Canberra, Sydney and London offices and has undertaken a range of complex restructuring and insolvency engagements across Europe, UK and Australia, for a range of Australian, UK, European and US banks. Warwick has worked with companies and lenders to develop and implement strategic business options, provide advice in relation to continuous disclosure requirements, develop cash forecasting training for national firms, and lectured on cash management.

Warwick has a Bachelor of Economics and Bachelor of Commerce from Australian National University and is a Member of the Institute of Chartered Accountants in Australia and New Zealand.



### **Mike Adams**

Mike has extensive experience across a broad range of corporate, commercial and private client sectors. His core practice areas involve the provision of advice and transactional expertise in relation to new and existing retail and wholesale financial products and the regulatory framework within which they operate, as well as debt and equity financing, intellectual property, and film and television media law among others. Mike has previously worked in private practice, public sector and in-house roles in Australia, New Zealand and the United Kingdom, acting across multiple industries for a variety of clients, including high net worth individuals, banks and financial institutions, as well as numerous listed and unlisted corporate entities.

Mike is also a director of MA Law, a Sydney-based financial services law firm, and is admitted as a solicitor of the Supreme Court of NSW. He has a Bachelor of Laws from the University of Otago.



### **Peter Shear**

Peter has significant expertise in funds management, financial advisory and complex lending arrangements including leveraged finance, property development and debt workout situations. Peter is currently a Managing Partner of Archibald Capital which specialises in Opportunistic Credit and Special Situations. Before that Peter was Co-Managing Partner of Opportunistic Lending and Special Situations at LIM Advisors. Prior to this role, Peter held the positions of Chief Risk Officer and Managing Director & Head of Corporate and Structured Finance at Lloyds Banking Group (and its predecessor HBOS plc) in Australia. Peter was also previously a Partner in Corporate Finance & Restructuring at Ernst & Young.

Peter has a Bachelor of Business from the University of Technology Sydney, an Executive MBA from AGSM, is a member of Chartered Accountants Australia and New Zealand, a Fellow of FINSIA and a Graduate Member of the Australian Institute of Company Directors.

## **Principal activities and significant changes in nature of activities**

The principal activity of the Fund during the financial year was investing in small-to-mid-market private investment funds and privately held companies with a predominate focus in the US. There were no significant changes in the nature of these activities.

## **Distributions**

There were no distributions paid, recommended or declared during the current or previous financial year.

## **Review and results of operations**

Refer to the Report to Unitholders (page 11) for disclosures on the impact of COVID-19 on the Fund.

The profit for the Fund after providing for income tax amounted to \$24,569,686 (31 March 2020: \$12,481,957).

The Fund has invested in a limited partnership, US Select Private Opportunities Fund IV, L.P. (**LP**) which, in turn, invests in small-to-mid market private investment funds. The LP has committed capital across 12 underlying private investment funds which focus on a range of industries including health care, business services, software businesses, and food and consumer products. For the year ended 31 March 2021, these underlying private investment funds made drawdown requests on the LP to fund their investments, management fees and operating expenses. Net drawdown requests made by the underlying private investment funds since inception to the end of the year totalled US\$87.2 million.

The Fund has committed capital of US\$115 million, representing an interest of 88.4% in the LP. The Fund's proportionate share of the total capital called as at 31 March 2021 was US\$84.5 million (or \$111.2 million).

Total comprehensive income for the year was \$24,569,686 (2020: \$12,481,957). The key components of this result included a \$42,841,884 fair value movement gain (2020: \$11,259,691 gain) on the Fund's investment in the LP and a \$8,553,868 foreign exchange movement loss (2020: \$3,320,393 gain) during the year. As at 31 March 2021, the Fund had net assets of \$187,395,200 (2020: \$125,084,985), representing \$1.59 per unit (2020: \$1.06 per unit). To balance date, the Responsible Entity has called \$1.28 per partly paid unit from the Australian investors.

The Fund had a basic and diluted earnings per unit of 20.83 cents for the year ended 31 March 2021 (2020: 10.58 cents per unit).

## Events subsequent to the reporting period

No matter or circumstance has arisen since 31 March 2021 that has significantly affected, or may significantly affect the Fund's operations, the results of those operations, or the Fund's state of affairs in future financial years.

## Future developments and expected results of operations

The Fund has committed capital to the LP to fund 12 underlying private investment funds and expects to complete its investments as the committed capital is called by the LP. The objective of the Fund is to achieve capital growth over a five to 10 years investment horizon from its exposure to a portfolio of investments in small and mid-market private investment funds and privately held companies predominately focused in the US.

## Environmental regulation

The Fund is not subject to any particular and significant environmental regulations under a law of the Commonwealth or a State or Territory.

## Other relevant information

The following lists other relevant information required under the *Corporations Act 2001*:

- details of fees paid to the Responsible Entity during the financial year – refer to note 16 to the financial statements
- details of number of units in the Fund held by the Responsible Entity, their related parties and Directors at the end of the financial year – refer to note 16 to the financial statements
- details of issued interests in the Fund during the financial year – refer to note 6 to the financial statements.

## Options

No options were granted over issued or unissued units in the Fund during, or since, the end of the year.

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## Indemnity and insurance

Under the Fund's constitution, the Responsible Entity, including its officers and employees, is indemnified out of the Fund's assets for any loss, damage expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Fund.

Insurance premiums have been paid, during or since the end of the financial year, for all of the directors of the Responsible Entity of the Fund. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for the auditor of the Fund.

## Non-audit services

Details of the amounts paid or payable to the auditor, Deloitte Touche Tohmatsu, for non-audit services are outlined in note 17 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in note 17 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services are reviewed and approved prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES110: Code of Ethics for Professional Accountants set by the Accounting Professionals Ethical Standards Board.

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## **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Stuart Nisbett', with a long horizontal stroke extending to the right.

**Stuart Nisbett**

Chair of E&P Investments Limited, Responsible Entity

28 May 2021



# Auditor's Independence Declaration

**Deloitte.**

Deloitte Touche Tohmatsu  
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Australia

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The Board of Directors  
E&P Investments Limited as Responsible Entity for:  
CD Private Equity Fund IV  
Level 15  
100 Pacific Highway  
NORTH SYDNEY NSW 2060

28 May 2021

Dear Board Members

## Auditor's Independence Declaration to CD Private Equity Fund IV

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of the Responsible Entity of CD Private Equity Fund IV.

As lead audit partner for the audit of the financial report of CD Private Equity Fund IV for the year ended 31 March 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Weng W Ching  
Partner  
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.  
Member of Deloitte Asia Pacific Limited and the Deloitte organisation.



# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2021

		2021	2020
	NOTE	\$	\$
<b>Investment income</b>			
Interest income		22,445	383,389
Foreign exchange (loss)/gain		(8,553,868)	3,320,393
Fair value movements of equity investments	10	42,841,884	11,259,691
<b>Total investment income</b>		<b>34,310,461</b>	14,963,473
<b>Expenses</b>			
Management and administration fees	16	(700,774)	(725,313)
Custody fees	16	(33,190)	(14,705)
Registry fees		(25,901)	(24,893)
Legal and professional fees	16	(282,700)	(276,845)
Other expenses		(16,718)	(11,119)
<b>Total expenses</b>		<b>(1,059,283)</b>	(1,052,875)
<b>Profit before income tax expense</b>		<b>33,251,178</b>	13,910,598
Income tax expense	4	(8,681,492)	(1,428,641)
<b>Profit after income tax expense for the year</b>		<b>24,569,686</b>	12,481,957
Other comprehensive income for the year, net of tax		–	–
<b>Total comprehensive income for the year</b>		<b>24,569,686</b>	12,481,957
	NOTE	CENTS	CENTS
Basic earnings per unit	5	20.83	10.58
Diluted earnings per unit	5	20.83	10.58

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

# Statement of Financial Position

As at 31 March 2021

		2021	2020
	NOTE	\$	\$
<b>Assets</b>			
<i>Current assets</i>			
Cash and cash equivalents	7	<b>19,174,917</b>	15,272,989
Receivables	9	<b>257,285</b>	80,251
Current tax assets		<b>1,061,142</b>	–
<b>Total current assets</b>		<b>20,493,344</b>	15,353,240
<i>Non-current assets</i>			
Other financial assets	10	<b>176,996,805</b>	111,497,958
<b>Total non-current assets</b>		<b>176,996,805</b>	111,497,958
<b>Total assets</b>		<b>197,490,149</b>	126,851,198
<b>Liabilities</b>			
<i>Current liabilities</i>			
Trade and other payables	11	<b>176,694</b>	169,236
<b>Total current liabilities</b>		<b>176,694</b>	169,236
<i>Non-current liabilities</i>			
Deferred tax	12	<b>9,918,255</b>	1,596,977
<b>Total non-current liabilities</b>		<b>9,918,255</b>	1,596,977
<b>Total liabilities</b>		<b>10,094,949</b>	1,766,213
<b>Net assets</b>		<b>187,395,200</b>	125,084,985
<b>Equity</b>			
Unit capital	6	<b>144,923,263</b>	107,182,734
Retained earnings		<b>42,471,937</b>	17,902,251
<b>Total equity</b>		<b>187,395,200</b>	125,084,985

The above statement of financial position should be read in conjunction with the accompanying notes.

# Statement of Changes in Equity

## For the year ended 31 March 2021

	UNIT CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
	\$	\$	\$
Balance at 1 April 2019	69,442,205	5,420,294	74,862,499
Profit after income tax expense for the year	–	12,481,957	12,481,957
Other comprehensive income for the year, net of tax	–	–	–
Total comprehensive income for the year	–	12,481,957	12,481,957
<i>Transactions with unitholders in their capacity as unitholders:</i>			
Issued capital (note 6)	37,740,529	–	37,740,529
<b>Balance at 31 March 2020</b>	<b>107,182,734</b>	<b>17,902,251</b>	<b>125,084,985</b>

	UNIT CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
	\$	\$	\$
Balance at 1 April 2020	107,182,734	17,902,251	125,084,985
Profit after income tax expense for the year	–	24,569,686	24,569,686
Other comprehensive income for the year, net of tax	–	–	–
Total comprehensive income for the year	–	24,569,686	24,569,686
<i>Transactions with unitholders in their capacity as unitholders:</i>			
Issued capital (note 6)	37,740,529	–	37,740,529
<b>Balance at 31 March 2021</b>	<b>144,923,263</b>	<b>42,471,937</b>	<b>187,395,200</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

# Statement of Cash Flows

For the year ended 31 March 2021

		2021	2020
	NOTE	\$	\$
<b>Cash flows from operating activities</b>			
Interest income received		40,831	409,407
Net payments to suppliers		(1,247,245)	(1,053,039)
Net cash used in operating activities	8	(1,206,414)	(643,632)
<b>Cash flows from investing activities</b>			
Payment for investments		(23,688,667)	(46,643,681)
Net cash used in investing activities		(23,688,667)	(46,643,681)
<b>Cash flows from financing activities</b>			
Proceeds from issue of units	6	37,740,529	37,740,529
Net cash from financing activities		37,740,529	37,740,529
Net increase/(decrease) in cash and cash equivalents		12,845,448	(9,546,784)
Cash and cash equivalents at the beginning of the financial year		15,272,989	21,676,659
Effects of exchange rate changes on cash and cash equivalents		(8,943,520)	3,143,114
<b>Cash and cash equivalents at the end of the financial year</b>	7	<b>19,174,917</b>	15,272,989

The above statement of cash flows should be read in conjunction with the accompanying notes.



# Notes to the Financial Statements

31 March 2021

## 1. General information

CD Private Equity Fund IV (formerly Cordish Dixon Private Equity Fund IV) (**Fund**) is a Managed Investment Scheme registered and domiciled in Australia. The principal activities of the Fund are to invest in small-to-mid-market private investment opportunities in the United States of America (**US**), through its capacity as a Limited Partner of the US Select Private Opportunities Fund IV, L.P. (**LP**) registered in the Cayman Islands.

### (a) Basis of preparation

The financial statements have been prepared on an accrual basis and are based on historical cost with the exception of financial assets, which are measured at fair value. All amounts are presented in Australian dollars unless otherwise noted.

### (b) Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards issued by the Australian Accounting Standards Board (**AASB**) and the *Corporations Act 2001*. Compliance with Australian Accounting Standards ensures the financial statements and notes to the financial statements of the Fund comply with the International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (**IASB**).

The financial statements were authorised for issue by the directors on 28 May 2021. For the purposes of preparing the financial statements, the Fund is a for-profit entity.

### (c) Adoption of new and revised Accounting Standards

The Fund has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to their operations and effective for the current year.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Fund include:

- AASB 2018-6 'Amendments to Australian Accounting Standards – Definition of a Business'
- AASB 2018-7 'Amendments to Australian Accounting Standards – Definition of Material'
- AASB 2019-1 'Amendments to Australian Standards – References to the Conceptual Framework'
- AASB 2019-5 'Amendments to Australian Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia'

No new or revised Standards and Interpretations effective for the current year are considered to materially impact the Fund.

#### **(d) Accounting Standards and Interpretations issued but not yet effective**

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. The potential impact of the new or revised Standards and Interpretations for reporting period on or after 1 April 2021 to the Fund are not expected to be material to the Fund. The potential impact of the new or revised Standards and Interpretations for reporting periods on or after 1 April 2022 to the Fund have not yet been determined.

These standards are applicable to annual reporting periods beginning on or after 1 April 2023:

- AASB 2020-1 'Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current'
- AASB 2020-6 'Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date'.

This standard is applicable to annual reporting periods beginning on or after 1 April 2022:

- AASB 2020-3 'Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments'.

This standard is applicable to annual reporting periods beginning on or after 1 April 2021:

- AASB 2020-8 'Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2'.

## **2. Summary of significant accounting policies**

The following is a summary of the material accounting policies adopted by the Fund in the preparation and presentation of the financial report.

### **a) Foreign currencies**

The functional and presentation currency of the Fund is Australian dollars. This is based on an assessment that the primary economic environment in which the Fund operates is Australia.

Transactions in foreign currencies are initially recorded in Australian dollars by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies that are outstanding at the reporting date are retranslated at the rate of exchange ruling at the Statement of Financial Position date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences arising on translation are recognised in profit or loss in the period in which they arise.

### **b) Financial instruments**

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Fund becomes a party to the contractual provisions of the instrument.

## **(i) Financial assets**

The Fund's financial assets comprise of cash and cash equivalents, receivables and an interest in a Limited Partnership.

When financial assets are recognised initially, they are measured at fair value plus, in the case of financial assets not at fair value through profit and loss, directly attributable transaction costs.

Cash and cash equivalents and receivables are subsequently measured at amortised cost using the effective interest rate method only if the following conditions are met, otherwise they are measured at fair value:

1. where a financial asset is held within a business model for the objective to collect contractual cash flows; and
2. contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The effective interest rate method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability.

The Interest held by the Fund in the Limited Partnership (refer to (c) below) does not meet the conditions to satisfy subsequent measurement at amortised cost, and is therefore measured on an ongoing basis at fair value through profit or loss.

Gains and losses on all financial assets at fair value are recognised in profit or loss.

## **(ii) Financial liabilities**

Financial liabilities are classified as derivative and non-derivative instruments as appropriate. The Fund determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value. Non-derivative instruments are subsequently measured at amortised cost using the effective interest rate method. Derivative liabilities are subsequently measured at fair value.

## **(iii) Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged or cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

#### **(iv) Fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in the principal (or most advantageous) market at balance date under current market conditions. Fair value is determined based on the bid price for all quoted investments in an active market. Valuation techniques are applied to determine the fair value for all unlisted securities and securities in markets that are not active. The interest in the Limited Partnership held by the Fund is valued using a 'proportionate' value method based on the proportion of the total net asset value (determined on a fair value basis) of the limited partnership in which the Fund has an interest at each balance date. The fair value will be net of distribution receipts from the Limited Partnership.

#### **c) Interest in Limited Partnership**

The Fund has entered into a partnership arrangement with Cordish Private Ventures with a primary strategy of investing in US small-to-mid-market private investment funds. The partnership has been structured through a limited partnership vehicle – US Select Private Opportunities Fund IV, L.P. (**LP**), in which the Fund had a 88.4% interest. The interest held by the Fund is regarded as a financial asset which is recorded at fair value (refer to note 2(b)(iv) for the fair value valuation basis adopted in respect of the partnership interest held). Subsequent changes in fair value are recognised in profit or loss.

Distributions of capital or income received from the LP are recorded against the investment account, reflecting the fact that such amounts would previously have been included in the investment account either through capital contributions made or through fair value movements recognised in respect of unrealised capital or operating profits relating to the underlying investments.

#### **d) Impairment of financial assets**

The Fund recognises a loss allowance for expected credit losses (**ECL**) on financial assets that are measured at amortised cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Fund recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Fund measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

No impairment assessment is performed in respect of the Interest in the Limited Partnership, where fair value changes are recorded in profit or loss.

#### **e) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

## **f) Receivables**

Receivables are financial assets with a contractual right to receive fixed or determinable payments that are not quoted in an active market. Receivables also include other accrued receivables. Receivables are recorded at amounts due less any loss allowance for expected credit losses.

## **g) Taxes**

### **(i) Income tax**

Under current Australian income tax laws, the Fund is not liable to pay income tax provided it is not a corporate unit trust or public trading trust and its distributable income for each income year is fully distributed to unitholders, by way of cash or reinvestment.

The Fund may be liable to pay income tax in the United States of America (**US**) dependent on the structure of private investment funds in which the Limited Partnership invests and in turn the structure of the underlying investments made by the private investment funds. Rates of tax will vary dependent on the source of income derived.

A deferred tax liability is recognised (at the likely rate of tax in the US) based on the difference between the fair value and tax cost base of certain underlying investments in respect of which an economic interest is held by the Fund and on which income tax will likely be payable in the US on realisation of such investments.

### **(ii) Goods and Services Tax (GST)**

Cash flows are presented in the Statement of Cashflows on a gross basis. Revenues, expenses and assets are recognised net of the amount of GST, except to the extent the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the unrecoverable GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Where fees are stated to be exclusive of GST and GST is payable on any fee, the fee will be increased by an amount equal to the GST payable. The Fund qualifies for reduced input tax credits at a minimum rate of 55%.

## **h) Interest income**

Interest income is recognised in profit or loss using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

## **i) Provisions**

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

## **j) Trade and other payables**

Trade and other payables are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods or services. The balance is unsecured and is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

## **k) Earnings per unit**

Basic earnings per unit is calculated by dividing the profit or loss attributable to unitholders by the weighted average number of units outstanding during the financial period. Diluted earnings per unit is the same as there are no potential dilutive ordinary units.

## **l) Unit capital**

### **(i) Ordinary units**

Ordinary units are classified as equity. Issued capital is recognised at the fair value of the consideration received by the Fund. Incremental costs directly attributable to the issue of ordinary units are recognised as a deduction from equity.

### **(ii) Distributions to unitholders**

Distributions payable are recognised in the reporting period in which the distributions are declared, determined, or publicly recommended by the board of the Responsible Entity on or before the end of the financial period, but not distributed at balance date.

## **m) Critical accounting estimates and judgements**

In the application of the Fund's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Accounting policies which are subject to significant accounting estimates and judgements include fair value determination of the interest held by the Fund in the Limited Partnership (refer note 10 (iv)), recognition of a deferred tax liability in respect of likely US tax obligations which will arise from underlying fund investment realisations (refer note 12), and selection of Australian dollars as the functional currency of the Fund (refer note 2 (a)).

### 3. Operating segment

The Fund operates a single reportable segment, that being the business of investing in small-to-mid-market private investment funds and privately held companies in the United States of America through its interest in a Limited Partnership.

The Responsible Entity of the Fund is the Chief Operating Decision Maker (**CODM**) for the purpose of resource allocation and assessing performance of the operating segment.

Revenue, profit or loss, assets, liabilities and other financial information reported and monitored by the CODM of the single identified segment are reflected in the financial statements and notes to the financial statements of the Fund.

### 4. Income tax expense

	2021	2020
	\$	\$
<b>Income tax expense/(benefit)</b>		
Deferred tax		
– In respect of current year	<b>8,681,492</b>	1,428,641
Aggregate income tax expense	<b>8,681,492</b>	1,428,641
<b>Numerical reconciliation of income tax expense and tax at the statutory rate</b>		
Profit before income tax expense	<b>33,251,178</b>	13,910,598
Tax at the statutory tax rate of 30%	<b>9,975,353</b>	4,173,179
Tax effect of differences between accounting profit and taxable income:		
– Income and expenditure of Australian trust not subject to tax in Australia	<b>(9,975,353)</b>	(4,173,179)
– Fair value movement likely to be subject to USA taxation	<b>8,681,492</b>	1,428,641
<b>Income tax expense</b>	<b>8,681,492</b>	1,428,641

## 5. Earnings per unit

	2021	2020
	\$	\$
<b>Profit after income tax</b>	<b>24,569,686</b>	12,481,957

	NUMBER	NUMBER
Weighted average number of ordinary units used in calculating basic earnings per unit	<b>117,939,153</b>	117,939,153
Weighted average number of ordinary units used in calculating diluted earnings per unit	<b>117,939,153</b>	117,939,153

	CENTS	CENTS
<b>Basic earnings per unit</b>	<b>20.83</b>	10.58
<b>Diluted earnings per unit</b>	<b>20.83</b>	10.58

There are no adjustments on the basic earnings per unit for the calculation of diluted earnings per unit and there are no transactions that would significantly change the number of ordinary units at the end of the reporting period.

## 6. Equity – unit capital

	2021	2020	2021	2020
	UNITS	UNITS	\$	\$
<b>Ordinary units – partly paid</b>	<b>117,939,153</b>	117,939,153	<b>144,923,263</b>	107,182,734

### Movements in ordinary unit capital

	DATE	UNITS	\$
Balance	1 April 2019	117,939,153	69,442,205
Partly paid ordinary units – third instalment of capital call	1 November 2019	–	37,740,529
Balance	31 March 2020	117,939,153	107,182,734
Partly paid ordinary units – third instalment of capital call	17 April 2020	–	37,740,529
<b>Balance</b>	<b>31 March 2021</b>	<b>117,939,153</b>	<b>144,923,263</b>

### Ordinary units – partly paid

Ordinary units are issued on a partly paid basis, up to a fully paid amount of \$1.60 per unit. The partly paid ordinary units are called on in accordance with the Constitution and as required by the Responsible Entity of the Fund. Partly paid ordinary units carry the same rights and entitlements on a fractional basis, as fully paid ordinary units, with such fractions being the equivalent to the proportion which the amount paid is of the fully paid amount of the units.

117,939,153 ordinary units were issued on 6 April 2018. The fourth instalment of \$0.32 per partly paid unit was called on 17 April 2020.

### Capital management

The Fund manages its capital to ensure it will be able to continue as a going concern while maximising the return to unitholders. The capital structure of the Fund consists of issued capital amounting to \$144,923,263. The Fund is not subject to any externally imposed capital requirements.

## 7. Current assets – cash and cash equivalents

	2021	2020
	\$	\$
<b>Cash at bank</b>	<b>19,174,917</b>	15,272,989

The exposure to interest rate risk and a sensitivity analysis is disclosed in note 14 to the financial statements.

## 8. Reconciliation of profit after income tax to net cash used in operating activities

	2021	2020
	\$	\$
Profit after income tax expense for the year	<b>24,569,686</b>	12,481,957
Adjustments for:		
Fair value movements of equity investments	<b>(42,841,884)</b>	(11,259,691)
Net foreign exchange loss/(gain)	<b>8,914,082</b>	(3,489,019)
Tax liability settled by LP (note 10(ii))	<b>1,061,142</b>	–
Change in operating assets and liabilities:		
– Increase in receivables	<b>(177,034)</b>	(27,708)
– Increase in current tax assets	<b>(1,061,142)</b>	–
– Increase in payables	<b>7,458</b>	53,852
– Increase in deferred tax liabilities	<b>8,321,278</b>	1,596,977
<b>Net cash used in operating activities</b>	<b>(1,206,414)</b>	(643,632)

## 9. Current assets – receivables

	2021	2020
	\$	\$
Interest receivable	641	19,027
GST receivable	13,964	11,664
Other receivable	242,680	49,560
	<b>257,285</b>	80,251

There are no balances included in receivables that contain assets that are impaired. All receivables are non interest bearing. No receivable amounts are overdue. The receivables are recorded at carrying amounts that are reasonable approximations of fair value.

## 10. Non-current assets – other financial assets

### (i) Equity investment constituting interest in Limited Partnership (LP) – at fair value:

	2021	2020
	\$	\$
<b>US Select Private Opportunities Fund IV, LP (LP)</b>	<b>176,996,805</b>	111,497,958

### (ii) Reconciliation

	2021	2020
	\$	\$
Balance at the beginning of the year	111,497,958	53,248,681
Capital invested – at cost	23,718,105	46,989,586
Movement in fair value through profit or loss*	42,841,884	11,259,691
Distributions received from LP**	(1,061,142)	–
<b>Balance at the end of the year</b>	<b>176,996,805</b>	111,497,958

\* Included in the 'movement in fair value' amount of \$42,841,884 (2020: \$11,259,691) is an unrealised foreign exchange translation loss component of \$25,618,994 (2020: \$11,827,812 gain). This amount is also net of the Fund's 88.4% share of management fees paid by the LP to the General Partner of the LP, totalling \$1,599,496 (2020: \$1,396,611) and performance fees accrued by the LP to the GP, totalling \$5,870,877 (2020: nil) (refer to note 16).

\*\* Distributions received from the LP totalling \$1,061,142 (US\$806,256) were through the settlement of the Fund's US tax obligations on behalf of the Fund, contributing to a reduction in the Fund's current tax liability, resulting in net current tax asset at balance date.

### (iii) Fund's interest in assets and liabilities of LP

The 88.4% economic interest held by the Fund is not represented by voting rights or other power vested in the Fund to make decisions relating to the assets and liabilities of the LP. As is common practice with Limited Partnership arrangements, the General Partner of the LP is considered to be the party who holds the existing rights to direct the relevant activities of the LP, including the acquisition and disposal of investments.

The Fund's 88.4% interest in US Select Private Opportunities Fund IV, L.P. at 31 March 2021 is represented by its proportionate interest in the LP's assets and liabilities as follows:

	2021	2020
	\$	\$
Cash	<b>11,768,583</b>	17,567,873
Investment in US private investment funds recorded at fair value:		
Astra Partners I, LP	<b>5,399,447</b>	5,402,113
CORE Industrial Partners Fund I, LP	<b>28,886,702</b>	5,711,491
Elephant Partners II, LP	<b>16,795,514</b>	9,639,232
Gainline Equity Fund, LP	<b>15,778,386</b>	9,326,317
Nosara Capital Fund I, LP	<b>11,626,624</b>	8,318,150
Quad Partners V, LP	<b>6,123,461</b>	8,020,528
Trivest Fund VI, LP	<b>4,039,189</b>	3,586,799
US Select Direct Private Equity II, LP	<b>43,334,122</b>	35,015,834
Wavcrest Growth Partners I, LP	<b>14,989,593</b>	7,112,146
Incline Elevate Fund, LP	<b>17,386,606</b>	3,981,085
Tower Arch Partners II, LP	<b>4,128,685</b>	561,727
Rucker Park Capital Fund, LP	<b>2,513,179</b>	2,161,699
Prepaid Investment management fees	<b>97,591</b>	120,959
Due from Nosara Capital Fund I, LP	–	846,147
Due to Gainline Equity Fund, LP	–	(2,823,939)
Due to Incline Elevate Fund	–	(2,971,489)
Due to Quad Partners V, LP	–	(78,714)
Accrued performance fees	<b>(5,870,877)</b>	–
<b>Net assets*</b>	<b>176,996,805</b>	111,497,958

\* Included in net assets of \$176,996,805 (2020: \$111,497,958) are investments in US private investment funds of \$171,001,508 (2020: \$98,837,121).

#### **(iv) Valuation**

As disclosed in the 31 March 2020 annual financial report, due to the prevailing market volatility at that time as a result of the advent of COVID-19, likely movements in the first quarter to 31 March 2020 valuations were considered by having regard to the percentage change in an appropriate US public market index during the quarter, the historic correlation between public and private equity valuations and market conditions during this period.

In the current year, while uncertainties relating to the impact of COVID-19 remain, the market volatility had subsided as reflected in the recovery observed in the US markets and as a consequence, the Fund has adopted its established valuation basis as described below to determine fair value of the Fund's equity investment in the LP.

##### **Valuation technique adopted**

The fair value of the Fund's interest in the LP is determined using a 'proportionate' value method based on the Fund's 88.4% interest held in the total net asset value of the LP.

The LP holds investments predominately in US private investment funds, and the LP adopts a similar fair value measurement basis, based on the proportionate interest it holds in the most recent reported total net asset values of the respective investment funds. There is up to a three-month difference between the Fund's reporting date and the date of the most recent reported net assets of the underlying investment funds. The underlying investment funds typically invest in US unlisted equity investments with fair values determined periodically based on market or income-based valuation techniques, which may involve the use of unobservable inputs such as discount rate and earnings multiple.

The valuation of the Fund's equity investment in the LP are based on the fair values of the underlying investment funds at 31 December 2020 adjusted for any changes to those valuations to reflect movements to 31 March 2021, including foreign exchange translation impacts arising from translating the USD denominated interest in the LP to AUD at each balance date.

Refer to note 14 for Market Risk sensitivity analysis.

##### **Investment risks**

As noted above, the LP has invested in underlying private investment funds in the US market who have in turn invested in a portfolio of private equity investments. Because of the absence of any liquid trading market for these types of investments, it may take longer to liquidate these investments than would be the case for marketable securities and accordingly the value obtained on realisation may differ to the estimated fair values at balance date. As there are no directly observable prices, the fair values assigned by the investment funds to each investment are based upon a range of factors including, but not limited to, the initial purchase price, market trading multiples and observed transaction metrics. The resulting valuations may differ significantly from the values that would have been realised had a transaction taken place at balance date. The differences would directly impact the value of the interest held by the LP in the underlying investment funds and consequently the value of the interest held by the Fund in the LP. Estimation uncertainty also arises in relation to likely US tax obligations the Fund will incur in connection with realisation of recorded fair value movements (refer note 12).

#### (v) Capital commitments

As at 31 March 2021, the Fund has made capital commitments totalling US\$115.0 million to the LP, of which US\$84.5 million has been called at balance date.

As at 31 March 2021, the Fund has uncalled capital commitments of US\$30.5 million (or \$40.2 million) outstanding to the LP. The capital commitments can be called at any time in the future.

The uncalled capital commitments referred to above were converted at the AUD:USD year-end exchange rate of 0.7598.

### 11. Current liabilities – trade and other payables

	2021	2020
	\$	\$
Trade creditors	<b>16,500</b>	–
Accrued liabilities	<b>160,194</b>	169,236
	<b>176,694</b>	169,236

Refer to note 14 for further information on financial instruments.

The average credit period for trade creditors is generally 30 days. No interest is charged on trade creditors from the date of the invoice. The Fund has risk management policies in place to ensure invoices are paid within credit terms.

### 12. Non-current liabilities – deferred tax

	2021	2020
	\$	\$
Deferred tax liability	<b>9,918,255</b>	1,596,977

The deferred tax liability has been assessed based on an estimate of likely US tax obligations the Fund will incur upon realisation of recorded fair value movements in connection with certain underlying private equity investments. This estimate is subject to estimation uncertainty as a result of limitations in the availability of information pertaining to the tax structure of the underlying investments in respect of which the Fund has an interest.

### 13. Equity – distributions

There were no distributions paid, recommended or declared during the current or previous financial year.

## 14. Financial instruments

### Financial risk management objectives

The Fund is exposed to the following risks from its use of financial instruments:

- market risk (foreign exchange risk, market price risk and interest rate risk)
- credit risk
- liquidity risk.

The Responsible Entity has overall responsibility for the establishment and oversight of the risk management framework, including developing and monitoring risk management policies.

#### a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign exchange rates, interest rates and equity prices. The Fund is primarily exposed to market risks arising from fluctuations in market price risk, foreign currency and interest rates. Refer to note 10(iv) for further details of risks relating to equity prices.

#### Foreign exchange risk

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency. Foreign exchange rate movements will impact on the Australian dollar value of the Fund's financial assets and liabilities denominated in a currency that is not the Fund's functional currency.

The Fund is exposed to USD foreign exchange risk through its USD denominated cash balances, its investment activities and income derived from these activities.

The table below details the carrying amounts of the Fund's foreign exchange risk as at the end of the reporting period. This represents the Australian dollar exposure, converted at an exchange rate of 0.7598.

	ASSETS		LIABILITIES	
	2021	2020	2021	2020
	\$	\$	\$	\$
Cash and cash equivalents	<b>17,882,451</b>	12,491,250	–	–
Receivables	<b>414</b>	17,860	–	–
Current tax assets	<b>1,061,142</b>	–	–	–
Financial assets (equity investments)	<b>176,996,805</b>	111,497,958	–	–
Trade and other payables	–	–	<b>(38,623)</b>	(46,485)
	<b>195,940,812</b>	124,007,068	<b>(38,623)</b>	(46,485)

#### Sensitivity analysis

The effect of the foreign exchange risk relating to equity investments (investment in Limited Partnership) is recorded in profit or loss as part of the overall fair value movement in the investment (refer to note 10(ii)). The effect of foreign exchange risk relating to cash and cash equivalents is recorded in profit or loss as a foreign exchange gain or loss.

The Fund considers a 10% movement in the AUD against USD as at 31 March 2021 to be a reasonable possibility at the end of the reporting period. The impact of the strengthening and weakening of AUD against USD in profit or loss and equity is shown by the amounts below as it relates to cash and cash equivalents, equity investments and trade and other payables. This analysis assumes that all other variables remain constant.

	AUD STRENGTHENED			AUD WEAKENED		
	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
2021						
Cash and cash equivalents	10%	(1,625,677)	(1,625,677)	(10%)	1,986,939	1,986,939
Receivables	10%	(38)	(38)	(10%)	46	46
Current tax assets	10%	(96,467)	(96,467)	(10%)	117,905	117,905
Equity investments	10%	(16,090,619)	(16,090,619)	(10%)	19,666,312	19,666,312
Trade and other payables	10%	3,511	3,511	(10%)	(4,291)	(4,291)
		<b>(17,809,290)</b>	<b>(17,809,290)</b>		<b>21,766,911</b>	<b>21,766,911</b>

	AUD STRENGTHENED			AUD WEAKENED		
	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
2020						
Cash and cash equivalents	10%	(1,135,568)	(1,135,568)	(10%)	1,387,917	1,387,917
Receivables	10%	(1,624)	(1,624)	(10%)	1,984	1,984
Equity investments	10%	(10,136,178)	(10,136,178)	(10%)	12,388,662	12,388,662
Trade and other payables	10%	4,226	4,226	(10%)	(5,165)	(5,165)
		<b>(11,269,144)</b>	<b>(11,269,144)</b>		<b>13,773,398</b>	<b>13,773,398</b>

### Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to individual investments or factors affecting all instruments traded in the market.

### Sensitivity analysis

The Fund considers a 10% increase or decrease to be a reasonably possible change in market prices at the reporting date. The sensitivity analysis below reflects the Fund's proportionate exposure to market price risk of the underlying equity investments of the private investment partnership excluding any foreign exchange impact. The impact of a 10% movement in market prices (excluding foreign exchange impact) on profit or loss and equity is shown in the table below:

2021	AVERAGE PRICE INCREASE			AVERAGE PRICE DECREASE		
	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
<b>Equity investments</b> <b>(refer note 10(iii))</b>	<b>10%</b>	<b>17,100,151</b>	<b>17,100,151</b>	<b>(10%)</b>	<b>(17,100,151)</b>	<b>(17,100,151)</b>

2020	AVERAGE PRICE INCREASE			AVERAGE PRICE DECREASE		
	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
Equity investment (refer note 10(iii))	10%	9,883,712	9,883,712	(10%)	(9,883,712)	(9,883,712)

### Interest rate risk

The Fund is exposed to interest rate risk on its variable rate bank deposits. The Fund currently does not hedge against this exposure.

#### Sensitivity analysis

The Fund considers a 50 basis point increase or decrease to be a reasonably possible change in interest rates. The impact of a 50 basis point movement in interest rates on profit or loss and equity is shown in the table below:

2021	BASIS POINTS INCREASE			BASIS POINTS DECREASE		
	BASIS POINTS CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	BASIS POINTS CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
<b>Variable rate bank deposits</b>	<b>50</b>	<b>95,875</b>	<b>95,875</b>	<b>(50)</b>	<b>(95,875)</b>	<b>(95,875)</b>

2020	BASIS POINTS INCREASE			BASIS POINTS DECREASE		
	BASIS POINTS CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	BASIS POINTS CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
Variable rate bank deposits	50	76,365	76,365	(50)	(76,365)	(76,365)

### b) Credit risk

Credit risk is the risk that contracting parties to a financial instrument will cause a financial loss for the Fund by failing to discharge an obligation. The Fund manages credit risk by ensuring deposits are made with reputable financial institutions. The majority of funds at year end were deposited with Macquarie Bank Limited (Australia).

The carrying amount of financial assets that represents the maximum credit risk exposure at the end of reporting period are detailed below:

	2021	2020
	\$	\$
<b>Summary of exposure</b>		
Cash and cash equivalents	<b>19,174,917</b>	15,272,989
GST receivable	<b>13,964</b>	11,664
Interest receivable	<b>641</b>	19,027
Current tax assets	<b>1,061,142</b>	–
Other receivable	<b>242,680</b>	49,560
	<b>20,493,344</b>	15,353,240

### c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's liquidity primarily comprises cash at bank totalling \$19,174,917 at 31 March 2021. In accordance with the Constitution, the Responsible Entity can call on the unpaid amount of partly paid units as required. At 31 March 2021, \$0.32 per partly paid unit is yet to be called, amounting to \$37,740,529. Together, these are held to cover the Fund's day-to-day running costs and expenditures and to fund its capital commitments to the LP which total \$40,167,452 at balance date.

The following is the contractual maturity of financial liabilities and capital commitments. The table has been drawn based on the undiscounted cash flows of liabilities based on the earliest date on which the Fund can be required to settle the liability.

	LESS THAN 12 MONTHS	AT CALL	REMAINING CONTRACTUAL MATURITIES
2021	\$	\$	\$
<b>Non-derivatives</b>			
<i>Non-interest bearing</i>			
Trade and other payables	176,694	–	176,694
Capital commitments*	–	40,167,452	40,167,452
<b>Total non-derivatives</b>	<b>176,694</b>	<b>40,167,452</b>	<b>40,344,146</b>

	LESS THAN 12 MONTHS	AT CALL	REMAINING CONTRACTUAL MATURITIES
2020	\$	\$	\$

### Non-derivatives

#### Non-interest bearing

Trade and other payables	169,236	–	169,236
Capital commitments*	–	78,635,684	78,635,684
<b>Total non-derivatives</b>	<b>169,236</b>	<b>78,635,684</b>	<b>78,804,920</b>

\* LP commitments may be called at any time in the future up until the first to occur of the date the aggregate commitments have been invested, the fifth anniversary date after the first call or certain other specified termination events.

## 15. Fair value measurement

### Fair value

The fair value of financial assets and financial liabilities approximate their carrying values at the reporting date.

The table below analyses recurring fair value measurements for financial assets and financial liabilities. The fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to the valuation techniques used. The different levels are defined as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical financial assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
2021	\$	\$	\$	\$

### Financial assets carried at fair value

Other financial assets – equity

investment constituting interest in US

Select Private Opportunities Fund IV, LP

**Total assets**

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
2020	\$	\$	\$	\$
<b>Financial assets carried at fair value</b>				
Other financial assets – equity investment constituting interest in US Select Private Opportunities Fund IV, LP				
	–	–	111,497,958	111,497,958
<b>Total assets</b>	<b>–</b>	<b>–</b>	<b>111,497,958</b>	<b>111,497,958</b>

The Fund recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the transfer has occurred. There were no transfers between levels during the financial year.

Details of the determination of level 3 fair value measurements including the valuation technique adopted and the key underlying unobservable inputs used are set out in note 10(iv).

The Fund has established a control framework with respect to measurement and assessment of fair values. This framework includes a sub-investment committee that has overall responsibility for analysing the performance and fair value movements of underlying US investment fund holdings during each reporting period.

## 16. Related party disclosures

### Key management personnel

Stuart Nisbett, Warwick Keneally, Mike Adams and Peter Shear are directors of the Responsible Entity, E&P Investments Limited, and are deemed to be key management personnel.

The key management personnel do not receive compensation from the Fund or from the Responsible Entity directly for their management function performed for the Fund.

As at reporting date, details of directors who hold units for their own benefit or who have an interest in holdings through a third party and the total number of such units held are listed as follows:

	2021	2020
Warwick Keneally	<b>9,375</b>	9,375

### Related party investments in the scheme

As at 31 March 2021, E&P Private Investments Pty Limited (formerly Dixon Private Investments Pty Limited), a subsidiary of E&P Financial Group Limited, who is the parent entity of the Responsible Entity, held 31,250 partly paid ordinary units (2020: nil), representing a 0.03% interest (2020: nil) in the Fund.

## Management fees

The Responsible Entity's duties include establishing the Fund's compliance plan and procedures and monitoring against regulatory and legislative requirements, the issuance of disclosure documents, the appointment and monitoring of external service providers to the Fund and overall administration of the Fund.

For these services, the Responsible Entity charged management fees of 0.33% per annum (exclusive of GST) on the gross asset value of the Fund, plus uncalled amounts on the Units. This is comprised of the Responsible Entity Fee of 0.08% per annum and Administration Fee 0.25% per annum. Management fees are paid to the Responsible Entity monthly in arrears.

The total management fees paid to the Responsible Entity for the year ended 31 March 2021 was \$611,342 (2020: \$635,143), exclusive of GST. As at 31 March 2021, there were outstanding management fees of \$58,518, exclusive of GST (2020: \$58,564).

## Fund administration fee

Australian Fund Accounting Services Pty Limited, a wholly-owned subsidiary of E&P Financial Group Limited (formerly Evans Dixon Limited), the parent of the Responsible Entity, provides fund administration services to the Fund under an agreement with the Responsible Entity. These services include net asset valuation, management accounting, statutory reporting, capital management and taxation. Total fund administration fee paid or payable for the year ended 31 March 2021 were \$60,000, exclusive of GST (2020: \$60,000).

## Investment manager fee

US Select Private Opportunities Fund IV, L.P. (**LP**), in which the Fund holds an 88.4% interest, is required to pay its Investment Manager, US Select Private Opportunities Fund IV, GP, being an entity associated with the Responsible Entity, for acting on behalf of the limited partnership to acquire, manage and transact on partnership interests within the scope of the limited partnership agreement, a fee equivalent to 1.0% per annum of the total funds committed by the partners to the LP. The fee is payable quarterly in advance from the funds of the LP. The total fee paid or payable during the year amounted to \$1,809,384 (US\$1,301,300) (2020: \$1,579,876 (US\$1,077,326)). The Fund's 88.4% interest equates to \$1,599,496 (2020: \$1,396,611). In addition, prepaid expenses to the GP totalling \$110,469 remain outstanding at balance date. This fee is recorded in the books of the LP.

The GP is also entitled to a performance fee of 10% of the return achieved by the LP above invested capital once a cumulative, non-compounded, pre-tax return of 8% per annum (**Hurdle Rate**) on all capital contributed to the LP and not yet returned by distribution to the limited partners. The Hurdle Rate references to the LP, not the Fund level, and is denominated in US dollars. The performance fees will only be paid following the limited partners' actual receipt of invested capital and once the Hurdle Rate is achieved, through distribution of income and capital by the LP. For the year ended 31 March 2021, US\$5,036,879 (2020: nil) was accrued as performance fees. The Fund's interest equates to \$5,870,877 (US\$4,460,692) (2020: nil). This fee is accrued in the books of the LP.

## US Select Direct Private Equity II, LP

At balance date, the Fund's share of the LP's investment in US Select Direct Private Equity II, L.P. was \$43,334,122 (US\$32,925,266) (2020: \$35,015,834 (US\$21,468,208)). The General Partner of this investment is associated with the Responsible Entity of the Fund.

### Custodial services

The Responsible Entity provided custodial services to the Fund in its personal capacity (**Custodian**) under a custody arrangement with E&P Investments Limited up to 17 August 2020. The Custodian receives fees equivalent to the greater of 0.02% per annum of the gross asset value of the Fund less a discount of 10%, or \$15,000 indexed to CPI annually less a discount of 10%. The fees are payable quarterly in arrears. Total fees paid or payable for the year ended 31 March 2021 were \$12,608 (2020: \$14,608), exclusive GST. Effective 17 August 2020, the Fund's custodial services were fully outsourced to an external service provider.

### Legal and consulting services

MDA1 Pty Limited, trading as MA Law, provides legal and consulting services to the Responsible Entity and the investment schemes under its control. Mike Adams, a director of the Responsible Entity, is also a director and shareholder of MDA1 Pty Limited. The fees paid or payable for the year ended 31 March 2021 were \$11,526 (2020: \$2,474), exclusive of GST and are included in the total legal and professional fees in the statement of profit or loss and other comprehensive income.

## 17. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the Fund, and its network firms:

	2021	2020
	\$	\$
<b>Audit services – Deloitte Touche Tohmatsu</b>		
Audit or review of the financial statements	<b>62,500</b>	69,450
<b>Other services – Deloitte Touche Tohmatsu</b>		
Taxation services	<b>6,450</b>	8,500
	<b>68,950</b>	77,950
<b>Other Audit Firms – Deloitte Tax LLP</b>		
Taxation services	<b>39,731</b>	49,071

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## **18. Capital commitments**

Other than the capital commitments disclosed in note 10(v) to the financial statements, the Fund does not have any other capital commitments outstanding for the year ended 31 March 2021.

## **19. Contingent liabilities**

The directors of the Responsible Entity are not aware of any potential liabilities or claims against the Fund as at balance date.

## **20. Events after the reporting period**

No matter or circumstance has arisen since 31 March 2021 that has significantly affected, or may significantly affect the Fund's operations, the results of those operations, or the Fund's state of affairs in future financial years.

# Directors' Declaration

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**For the year ended 31 March 2021**

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The directors of the Responsible Entity declare that, in the directors' opinion:

- the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and the Corporations Regulations 2001;
- the attached financial statements are in compliance with International Financial Reporting Standards, as stated in the notes to the financial statements;
- the attached financial statements and notes give a true and fair view of the Fund's financial position as at 31 March 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the *Corporations Act 2001*.

On behalf of the directors of the Responsible Entity



**Stuart Nisbett**

Chair of E&P Investments Limited, Responsible Entity

28 May 2021



# Independent Auditor's Report to the Unitholders of CD Private Equity Fund IV

**Deloitte.**

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## Independent Auditor's Report to the Unitholders of CD Private Equity Fund IV

### *Opinion*

We have audited the financial report of CD Private Equity Fund IV, (the "Fund") which comprises the statement of financial position as at 31 March 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Fund is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Fund's financial position as at 31 March 2021 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### *Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of E&P Investments Limited (the "Responsible Entity"), would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other Information*

The directors of the Responsible Entity (the "directors") are responsible for the other information. The other information comprises the information included in the Fund's annual report for the year ended 31 March 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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## Deloitte.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the Directors for the Financial Report*

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Fund to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

## Deloitte.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

*Weng W Ching*

Weng W Ching  
Partner  
Chartered Accountants  
Sydney, 28 May 2021



