



CD PRIVATE
EQUITY
FUND IV

Half-Year Financial Report

FOR THE HALF-YEAR ENDED
30 SEPTEMBER 2021

ARSN 624 474 531

RESPONSIBLE ENTITY



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

CD Private Equity Fund IV

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30 September 2021

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CD Private Equity Fund IV
Report to unitholders
30 September 2021

Dear Unitholders,

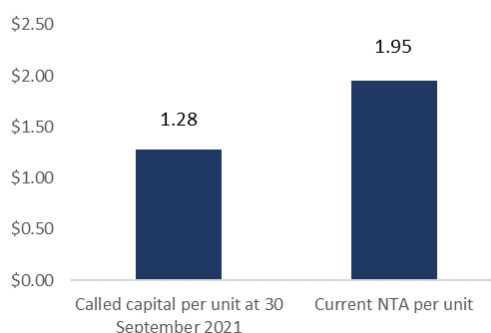
We present to you this report on the performance of the CD Private Equity Fund IV (**Fund**) for the six-month period ended 30 September 2021 (**HY22**).

For the six-month period ended 30 September 2021, the Fund generated total returns of 22.6%, on a post-tax net asset value basis. This performance reflects the strong returns from underlying investment managers arising from buoyant equity markets and private equity deal flows in the United States (**US**) during the period. On the same basis, the Fund has generated total returns of 17.0% p.a. since inception (inclusive of distributions and net of all fees).

The performance of the Fund's investment in the US Select Private Opportunities Fund IV, L.P (**LP**), the investment vehicle through which the Fund's investments in the underlying US private investment funds are made, was strong during the period, up 23.2% in US dollar terms. The depreciation in the Australian dollar against the US dollar was accretive to unit value performance this period, with the Australian dollar falling from 75.98 US cents to 72.27 US cents, leading to an unrealised foreign currency translation gain of \$10.8 million. Overall, during the period the Fund posted a net profit of \$43.0 million, or 36.48 cents per Unit, compared with a net loss of \$13.4 million, or 11.37 cents per Unit for the corresponding period last year. At 30 September 2021, the Fund had pre-tax net assets of \$246.7 million representing \$2.09 per Unit and post-tax net assets of \$230.4 million representing \$1.95 per Unit.

Units in the Fund were issued on a partly paid basis, with instalments paid by unitholders as capital is deployed. As you will recall, the issue price of Units in the Fund was \$1.60, to be paid in five instalments of 32 cents. As at 30 September 2021, \$1.28 or 80% of the \$1.60 issue price for each Fund Unit has been paid.

CD4 Capital called and Unit Value



Market conditions

Globally, capital markets have recovered strongly in the 12-18 months since the initial impact of COVID-19 were felt. Despite the current spread of the Delta variant, momentum remained positive in HY22 as global economic conditions continued to improve, underpinned by successful vaccination rollouts and the gradual reopening of major developed markets.

Equity markets remain close to record highs, interest rates remain at low levels and liquidity in capital markets remains high. Global M&A (mergers and acquisitions) hit record highs in HY22 and private equity firms, helped by a strong fund-raising environment, are participating at an increasing deal size and rate. This current market dynamic is highly supportive for the lower-middle market, where the Fund has targeted investment, and has resulted in many strong outcomes prior to and during the period, some well above our expectations, including A Cloud Guru (Elephant Partners Fund II, L.P.) and Knowbe4 (Elephant Partners Fund II, L.P. and US Select Direct Private Equity II L.P.).

Recent meetings with our underlying managers have been universally positive, and momentum from the second half of 2020 has clearly continued into 2021, however US inflation concerns are rising, along with yield curves, and this may dampen the recent positive market sentiment. Supply-side constraints (freight delays and production at capacity), inflationary pressures in the labour market, rising energy costs and strong economic activity all lead to a possibility that inflation may not be as "transitory" as initially expected.

CD Private Equity Fund IV
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Positioning of the Fund

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

Through the Fund's investment vehicle, US Select Private Opportunities Fund IV, L.P. (**LP**), the Fund is committed across 12 highly attractive US private investment funds all focused on small-to-mid-market private investment opportunities, for a total consideration of US\$140 million. The 12 funds are currently still in the investment stage with an aggregate investment in approximately 90 underlying companies, net of realisations.

At 30 September 2021, US\$95.6 million (or 73.5% of total funds committed) had been called by the LP. The Fund's proportionate share of this is approximately US\$84.5 million (an 88.4% share).

During the period, the LP received 14 drawdown requests and three capital returns for a total net drawdown consideration of US\$12.3 million. At 30 September 2021, net drawdown requests from underlying investments were approximately US\$99.3 million (or 68.5% of total commitments).

Underlying portfolio update

Astra Partners I, L.P. (Astra) called capital to fund the follow-on acquisition of Immedion LLC by DartPoints Holding Company LLC., expanding DartPoints' colocation, cloud, and managed services data centre footprint.

Incline Elevate Fund, L.P. (Incline) completed the successful sale of portfolio company Wholesale Supplies Plus LLC (**WSP**) and called capital for investments in Revival Animal Health LLC (**Revival**) and The Mad Rose Group Ltd (**Mad Rose**), Edko, LLC (**Edko**) and Road Tested Parts, LLC (**Weaver Automotive**) resulting in net flows from the LP of \$0.3 million.

Revival offers a broad product assortment that includes pet vaccines, reproductive health aids, supplements and prescription medications via its eCommerce website serving breeders, animal shelters, veterinarians and other pet health professionals. Mad Rose is a Brooklyn, NY based leading importer and distributor of fine wines and specialty foods from France, Italy, Switzerland and Spain. Edko is a leading provider of herbicide-based vegetation management services to utilities, municipalities and other operators of infrastructure rights-of-way. Weaver Automotive is a value-added distributor of recycled OEM auto parts across the South-eastern United States.

Quad Partners V, L.P. (Quad Partners) sold portfolio company Hands-On Learning Solutions (Learn on Demand Systems) and SchoolAdmin Holdings, resulting in a distribution to the LP. This was fully offset by a capital call to fund two previously acquired portfolio investments AmplioSpeech and Quantum IT Holdings (**InPlace**).

AmplioSpeech has developed a digital platform that connects students, educators, therapists and administrators with advanced technologies to help students with special needs maximise their potential and improve outcomes. Quantum IT Holdings is the owner and developer of the InPlace SaaS education technology platform for managing student Work Integrated Learning (i.e. placements, internships, overseas engagements, etc).

Elephant Partners Fund II, L.P. (Elephant Partners) realised several investments, including the partial realisation of Knowbe4 resulting in a distribution to the LP of US\$1.9 million.

Trivest Fund VI, L.P. (Trivest) called capital to fund new investments in two portfolio companies, including Bluegrass Orthopaedics (**BGO**). BGO is an orthopedic physician practice who offer sports medicine, total joint care, industrial medicine, and foot, ankle, hand care, and physical therapy.

Wavecrest Growth Partners I L.P. (Wavecrest) called capital to fund follow-on investments in existing portfolio investments and a new investment in Login VSI. Login VSI tests, benchmarks, and validates corporate employee digital workspaces using an automated testing platform that predicts performance, ensuring business continuity and reducing risk.

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Tower Arch Partners II, L.P. (Tower Arch) called capital to fund investments in ProChem Energy Services (**ProChem**), an add-on investment to Creedence Energy Services Holdings, LLC and LifePort Holdings, LLC (**LifePort**) and paid a distribution following the debt restructure of a portfolio company.

ProChem is a leading provider of oilfield production chemicals, midstream chemicals, and other oil field services in the Permian, Eagle Ford, and Scoop Stack basins. LifePort is a world-class aerospace and defense firm focused on designing, engineering, manufacturing, and certifying solutions for a wide range of fixed and rotor wing aircraft.

CORE Industrial Partners Fund I, L.P. (CORE) and **Nosara Capital Fund I, L.P. (Nosara)** called capital to fund follow-on and new portfolio investments during the period totalling US\$3.0 million while **Gainline Equity Fund, L.P. (Gainline)** distributed investment proceeds to the LP of US\$0.6 million. **U.S. Select Direct Private Equity II, L.P. (US Select)**, and **Rucker Park Capital Fund, L.P. (Rucker Park)** had no material investment activity during the half year.

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

Chair of E&P Investments Limited, Responsible Entity

29 November 2021

**CD Private Equity Fund IV
Directors' report
30 September 2021**

The directors of E&P Investments Limited, the Responsible Entity of the CD Private Equity Fund IV (**Fund**), present their report together with the condensed financial statements of the Fund for the half-year ended 30 September 2021.

Directors

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

- Stuart Nisbett
- Peter Shear
- Warwick Keneally
- Mike Adams

Directors have been in office since the start of the half-year to the date of this report unless otherwise stated.

Principal activities and significant changes in nature of activities

The principal activity of the Fund during the half-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.

Review and results of operations

The profit for the Fund after providing for income tax amounted to \$43,025,726 (30 September 2020: loss of \$13,408,389).

The key components of this result included a \$52,262,497 fair value gain (2020: \$5,595,529 loss) incurred on the Fund's investment in the LP and a \$297,532 foreign exchange gain (2020: \$6,580,973 loss) during the period. As at 30 September 2021, the Fund had net assets of \$230,420,926 (31 March 2020: \$187,395,200), representing \$1.95 per unit (31 March 2021: \$1.59 per unit). To balance date, the Responsible Entity has called \$1.28 per partly paid unit from the Australian investors.

The Fund's portfolio of underlying private investment funds continues to operate with limited COVID-19 disruptions. The Investment Manager is monitoring potential COVID-19 impacts on the valuation of Fund's portfolio of underlying private investment funds.

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. Since inception, 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 half-year ended 30 September 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 period totalled US\$99.3 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 30 September 2021 was US\$84.5 million (or \$116.9 million).

Distributions

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

Events subsequent to the reporting period

No matter or circumstance has arisen since 30 September 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.

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.

CD Private Equity Fund IV
Directors' report
30 September 2021

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the directors



Stuart Nisbett
Chair of E&P Investments Limited, Responsible Entity

29 November 2021

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

29 November 2021

Dear Board Members

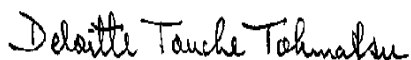
Auditor's Independence Declaration to CD Private Equity Fund IV

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 review of the half financial report of CD Private Equity Fund IV for the half year ended 30 September 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- Any applicable code of professional conduct in relation to the review.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Weng W Ching
Partner
Chartered Accountants

CD Private Equity Fund IV
Condensed statement of profit or loss and other comprehensive income
For the half-year ended 30 September 2021

	Note	30 September 2021 \$	30 September 2020 \$
Investment income			
Interest income		2,519	17,741
Foreign exchange gain/(loss)		297,532	(6,580,973)
Fair value movements of equity investments	3	<u>52,262,497</u>	<u>(5,595,529)</u>
Total investment income/(loss)		<u>52,562,548</u>	<u>(12,158,761)</u>
Expenses			
Management and administration fees	7	(468,424)	(345,560)
Custody fees	7	(22,605)	(15,749)
Registry fees		(11,651)	(17,006)
Legal and professional fees	7	(87,054)	(108,927)
Other expenses		(811)	(13,373)
Total expenses		<u>(590,545)</u>	<u>(500,615)</u>
Profit/(loss) before income tax expense		51,972,003	(12,659,376)
Income tax expense		<u>(8,946,277)</u>	<u>(749,013)</u>
Profit/(loss) after income tax expense for the half-year		43,025,726	(13,408,389)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income/(loss) for the half-year		<u><u>43,025,726</u></u>	<u><u>(13,408,389)</u></u>
		Cents	Cents
Basic earnings/(loss) per unit		36.48	(11.37)
Diluted earnings/(loss) per unit		36.48	(11.37)

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

CD Private Equity Fund IV
Condensed statement of financial position
As at 30 September 2021

	30	31 March
Note	September	2021
	2021	2021
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	19,631,996	19,174,917
Receivables	93,968	257,285
Current tax assets	-	1,061,142
Total current assets	<u>19,725,964</u>	<u>20,493,344</u>
Non-current assets		
Other financial assets	3 227,098,947	176,996,805
Total non-current assets	<u>227,098,947</u>	<u>176,996,805</u>
Total assets	<u>246,824,911</u>	<u>197,490,149</u>
Liabilities		
Current liabilities		
Trade and other payables	140,397	176,694
Current tax liability	5,224	-
Total current liabilities	<u>145,621</u>	<u>176,694</u>
Non-current liabilities		
Deferred tax	4 16,258,364	9,918,255
Total non-current liabilities	<u>16,258,364</u>	<u>9,918,255</u>
Total liabilities	<u>16,403,985</u>	<u>10,094,949</u>
Net assets	<u>230,420,926</u>	<u>187,395,200</u>
Equity		
Unit capital	5 144,923,263	144,923,263
Retained earnings	<u>85,497,663</u>	<u>42,471,937</u>
Total equity	<u>230,420,926</u>	<u>187,395,200</u>

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

CD Private Equity Fund IV
Condensed statement of changes in equity
For the half-year ended 30 September 2021

	Unit capital \$	Retained earnings \$	Total equity \$
Balance at 1 April 2020	107,182,734	17,902,251	125,084,985
Loss after income tax expense for the half-year	-	(13,408,389)	(13,408,389)
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive loss for the half-year	-	(13,408,389)	(13,408,389)
Issued capital (note 5)	37,740,529	-	37,740,529
Balance at 30 September 2020	<u>144,923,263</u>	<u>4,493,862</u>	<u>149,417,125</u>
	Unit capital \$	Retained earnings \$	Total equity \$
Balance at 1 April 2021	144,923,263	42,471,937	187,395,200
Profit after income tax expense for the half-year	-	43,025,726	43,025,726
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	43,025,726	43,025,726
Balance at 30 September 2021	<u>144,923,263</u>	<u>85,497,663</u>	<u>230,420,926</u>

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

CD Private Equity Fund IV
Condensed statement of cash flows
For the half-year ended 30 September 2021

	30 September 2021 \$	30 September 2020 \$
Cash flows from operating activities		
Interest income received	2,772	35,996
Net payments to suppliers	<u>(628,538)</u>	<u>(509,792)</u>
Net cash used in operating activities	<u>(625,766)</u>	<u>(473,796)</u>
Cash flows from investing activities		
Payment for investments	<u>-</u>	<u>(12,262,480)</u>
Net cash used in investing activities	<u>-</u>	<u>(12,262,480)</u>
Cash flows from financing activities		
Proceeds from issue of units	<u>164,760</u>	<u>37,509,689</u>
Net cash from financing activities	<u>164,760</u>	<u>37,509,689</u>
Net (decrease)/increase in cash and cash equivalents	(461,006)	24,773,413
Cash and cash equivalents at the beginning of the financial half-year	19,174,917	15,272,989
Effects of exchange rate changes on cash and cash equivalents	<u>918,085</u>	<u>(6,929,631)</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>19,631,996</u></u>	<u><u>33,116,771</u></u>

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

CD Private Equity Fund IV
Notes to the condensed financial statements
30 September 2021

1. General information

CD 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.

This half-year financial report is intended to provide users with an update on the latest financial statements of the Fund.

Basis of preparation

(i) Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134: 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

The condensed financial statements were authorised for issue by the directors on 29 November 2021.

(ii) Summary of significant accounting policies

The same accounting policies and methods of computation have been followed in this half-year financial report as were applied in the most recent annual financial statements.

The Fund has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (**AASB**) that are relevant to the operations and effective for the current half-year. The adoption of new and revised Standards and Interpretations has had no material impact on the financial statements.

(iii) 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 to note 3(iv)), recognition of a deferred tax liability in respect of likely US tax obligations which will arise from underlying fund investment realisations (refer to note 4), and selection of Australian dollars as the functional currency of the Fund.

2. Operating segment

The Fund operates a single reportable segment, that being the business of investing in small-to-mid-market private investments 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 condensed financial statements and notes to the condensed financial statements of the Fund.

CD Private Equity Fund IV
Notes to the condensed financial statements
30 September 2021

3. Non-current assets - other financial assets

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

	30	31 March
	September	2021
	2021	2021
	\$	\$
US Select Private Opportunities Fund IV, LP (LP)	<u>227,098,947</u>	<u>176,996,805</u>
	30	31 March
	September	2021
	2021	2021
	\$	\$
(ii) Reconciliation		
Balance at the beginning of the period	176,996,805	111,497,958
Capital invested - at cost	-	23,718,105
Movement in fair value through profit or loss*	52,262,497	42,841,884
Distributions received from LP [^]	<u>(2,160,355)</u>	<u>(1,061,142)</u>
Balance at the end of the period	<u>227,098,947</u>	<u>176,996,805</u>

* Included in the 'movement in fair value' amount of \$52,262,497 gain (year ended 31 March 2021: \$42,841,884 gain) is an unrealised foreign exchange translation gain component of \$10,777,923 (year ended 31 March 2021: \$25,618,994 loss). 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 \$764,685 (year ended 31 March 2021: \$1,599,496) and performance fees accrued by the LP to the GP, totalling \$10,539,777 (year ended 31 March 2021: 5,870,877) (refer to note 7).

[^] Distributions received from the LP totalling \$2,160,355 (US\$1,561,289) as at 30 September 2021 (31 March 2021: \$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.

(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 30 September 2021 is represented by its proportionate interest in the LP's assets and liabilities as follows:

	30	31 March
	September	2021
	2021	2021
	\$	\$
Cash	5,006,272	11,768,583
Investment in US private investment funds recorded at fair value	232,529,998	171,001,508
Prepaid Investment management fees	102,454	97,591
Accrued performance fees	<u>(10,539,777)</u>	<u>(5,870,877)</u>
Net assets	<u>227,098,947</u>	<u>176,996,805</u>

CD Private Equity Fund IV
Notes to the condensed financial statements
30 September 2021

3. Non-current assets - other financial assets (continued)

(iv) Valuation

Valuation technique adopted

As disclosed in the 31 March 2021 annual financial report, the valuation of the Fund's interest in the LP at balance date has been based on the Fund's established valuation basis described below.

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 is based on the fair values of the underlying investment funds at 30 June 2021 adjusted for any changes to those valuations to reflect movements to 30 September 2021, including foreign exchange translation impacts arising from translating the USD denominated interest in the LP to AUD at each balance date.

The COVID-19 pandemic is still on-going, with asset markets experiencing volatility, as well as creating uncertainty on its future economic impact. The Investment Manager continues to monitor potential COVID-19 impacts on the valuation of the Fund's portfolio of underlying private investment funds. The fair value of Fund's interest in the LP was determined based on conditions existing at balance date. The prolonged duration of the pandemic as well as uncertainties as to future economic conditions may impact on the future fair value of the Fund's interest in the LP.

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 on 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 to note 4).

Inter-relationship between significant unobservable inputs and fair value measurement

The inter-relationship between the significant unobservable inputs and fair value measurements is such that the higher the growth rates or earnings multiples adopted by the underlying investment funds, the higher the resultant fair value determination of the underlying equity investments, and therefore ultimately the higher the fair value of the Fund's investment in the LP. Since neither the Fund itself, nor the LP, has access to the underlying detailed equity investment valuations performed by the US investment funds, it is unable to assess the sensitivity of fair value determinations to changes in underlying unobservable inputs. However, at the Fund level, a 5% change (increase/decrease) in the carrying value of the LP's interest held in the underlying US investment funds would result in a \$11,626,500 impact (increase/decrease) in the carrying value of the Fund's investment in the LP. A 5% increase in the AUD/USD exchange rate would decrease the value of the Fund's investment in the LP by \$10,800,225. Conversely, a 5% decrease would increase the value of the Fund's investment by \$11,968,061. Refer to note 1(iii) for further details regarding investment risks and estimation uncertainty applied in the determination of the fair value of the underlying unlisted equity investments to which the Fund is exposed.

CD Private Equity Fund IV
Notes to the condensed financial statements
30 September 2021

3. Non-current assets - other financial assets (continued)

(v) Capital commitments

As at 30 September 2021, the Fund has made capital commitments totaling US\$115.0 million to the LP, of which US\$84.5 million has been called at balance date.

As at 30 September 2021, the Fund has uncalled capital commitments of US\$30.5 million (or \$42.2 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 half-year end AUD:USD exchange rate of 0.7227.

4. Non-current liabilities - deferred tax

	30 September 2021 \$	31 March 2021 \$
Deferred tax liability	<u>16,258,364</u>	<u>9,918,255</u>

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.

5. Equity - unit capital

	30 September 2021 Units	31 March 2021 Units	30 September 2021 \$	31 March 2021 \$
Ordinary units - partly paid	<u>117,939,153</u>	<u>117,939,153</u>	<u>144,923,263</u>	<u>144,923,263</u>

Movements in ordinary unit capital

Details	Date	Units	\$
Balance	1 April 2020	117,939,153	107,182,734
Partly paid ordinary units - fourth instalment of capital call	17 April 2020	<u>-</u>	<u>37,740,529</u>
Balance	1 April 2021	<u>117,939,153</u>	<u>144,923,263</u>
Balance	30 September 2021	<u>117,939,153</u>	<u>144,923,263</u>

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.

There were no movements in unit capital during the half-year.

CD Private Equity Fund IV
Notes to the condensed financial statements
30 September 2021

6. Equity - distributions

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

7. Related party disclosures

Directors

Stuart Nisbett, Peter Shear, Warwick Keneally and Mike Adams 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.

Related party investments in the scheme

As at 30 September 2021, E&P Private Investments Pty Limited, a subsidiary of E&P Financial Group Limited, who is the parent entity of the Responsible Entity, held 130,750 partly paid ordinary units (31 March 2021: 31,250), representing a 0.11% interest (31 March 2021: 0.03%) in the Fund.

At 30 September 2021, E&P Investments Limited in its capacity of as the Responsible Entity of the Fund held 133,625 partly paid ordinary units representing a 0.11% interest 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 half-year ended 30 September 2021 was \$419,188 (2020: \$300,861), exclusive of GST. There were outstanding management fees of \$75,311, exclusive of GST, as at 30 September 2021 (2020: \$47,881).

Fund administration fee

Australian Fund Accounting Services Pty Limited, a wholly-owned subsidiary of E&P Financial Group 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 fees paid or payable for the half-year ended 30 September 2021 were \$30,000 (2020: \$30,000), exclusive of GST.

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 (**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 fees paid or payable during the half-year ended to 30 September 2021 amounted to \$865,028 (US\$650,650) (2020: \$947,501 (US\$650,650)). The Fund's 88.4% interest equates to \$764,685 (2020: \$837,591). In addition, prepaid expenses to the GP totaling \$116,139 remain outstanding at balance date. This fee is recorded in the books of the LP.

CD Private Equity Fund IV
Notes to the condensed financial statements
30 September 2021

7. Related party disclosures (continued)

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 half-year ended 30 September 2021, US\$8,607,227 (2020: nil) was accrued as performance fees. The Fund's interest equates to \$10,539,777 (US\$7,617,097) (2020: nil). This fee is accrued in the books of the LP.

US Select Direct Private Equity Fund II, L.P

At balance date, the Fund's share of the LP's investment in US Select Direct Private Equity II, L.P. was \$62,234,353 (US\$44,976,767) (31 March 2021: \$43,334,122 (US\$32,925,266)). 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 received 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 were payable quarterly in arrears. Total fees paid or payable to the Responsible Entity during the half-year ended 30 September 2021 were nil (2020: \$13,412) (exclusive of 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 during the half-year ended 30 September 2021 were \$3,723 (2020: \$5,841), exclusive of GST, and are included in the legal and professional fees in the condensed statement of profit or loss and other comprehensive income.

8. 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 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
	\$	\$	\$	\$
30 September 2021				
<i>Financial assets carried at fair value</i>				
Other financial assets - equity investment constituting interest in US Select Private Opportunities Fund IV, LP	-	-	227,098,947	227,098,947
Total assets	-	-	227,098,947	227,098,947

CD Private Equity Fund IV
Notes to the condensed financial statements
30 September 2021

8. Fair value measurement (continued)

31 March 2021	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Financial assets carried at fair value</i>				
Other financial assets - equity investment constituting interest in US Select Private Opportunities Fund IV, LP	-	-	176,996,805	176,996,805
Total assets	-	-	176,996,805	176,996,805

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 period ended 30 September 2021.

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 3(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.

9. Events after the reporting period

No matter or circumstance has arisen since 30 September 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.

CD Private Equity Fund IV
Directors' declaration
30 September 2021

In the opinion of the directors of the Responsible Entity:

- the financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with the Accounting Standards;
- the attached financial statements and notes give a true and fair view of the Fund's financial position as at 30 September 2021 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors of the Responsible Entity made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the directors



Stuart Nisbett
Chair of E&P Investments Limited, Responsible Entity

29 November 2021

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

Conclusion

We have reviewed the half-year financial report of CD Private Equity Fund IV ("the Fund"), which comprises the condensed statement of financial position as at 30 September 2021, the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Fund is not in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Fund's financial position as at 30 September 2021 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Fund in accordance with 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 annual 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 review report.

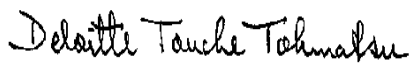
Directors' Responsibilities for the Half-year Financial Report

The directors of the Responsible Entity of the Fund (the "directors") are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Fund's financial position as at 30 September 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



DELOITTE TOUCHE TOHMATSU



Weng W Ching

Partner

Chartered Accountants

Sydney, 29 November 2021

**CD Private Equity Fund IV
Directory
30 September 2021**

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