



# Half-Year Financial Report

FOR THE HALF-YEAR ENDED  
30 SEPTEMBER 2022

ARSN 162 057 089

RESPONSIBLE ENTITY



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

**CD Private Equity Fund II**

**Contents**

**30 September 2022**

Report to unitholders	2
Directors' report	5
Auditor's independence declaration	7
Condensed statement of profit or loss and other comprehensive income	8
Condensed statement of financial position	9
Condensed statement of changes in equity	10
Condensed statement of cash flows	11
Notes to the condensed financial statements	12
Directors' declaration	19
Independent auditor's review report to the unitholders of CD Private Equity Fund II	20
Corporate directory	22

**CD Private Equity Fund II**  
**Report to unitholders**  
**30 September 2022**

Dear Unitholders,

We present to you this report on the performance of the CD Private Equity Fund II (**Fund**) for the six-month period ended 30 September 2022 (**HY23**).

For the six-month period ended 30 September 2022, the Fund generated total returns of 14.2%, on a post-tax net asset value basis. This performance reflects the stable returns from underlying investment managers, despite the elevated volatility experienced in equity markets, and moderate, but ongoing private equity deal flows and exits in the United States (**US**) during the period. On the same basis, the Fund has generated total returns of 13.2% 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 II, L.P. (**LP**), the investment vehicle through which the Fund's investments in the underlying US private investment funds are made, was slightly down in US dollar terms, with the majority of gains in the period due to foreign exchange movements. The depreciation in the Australian dollar against the US dollar was accretive to unit value this period, with the Australian dollar falling from 74.82 US cents to 64.00 US cents, leading to an unrealised foreign currency translation gain of \$15.6 million. Overall, during the period the Fund posted a net profit of \$10.4 million, or 19.19 cents per Unit, compared with a net profit of \$21.5 million, or 38.95 cents per Unit for the corresponding period last year. At 30 September 2022, the Fund had pre-tax net assets of \$121.9 million representing \$2.32 per Unit and post-tax net assets of \$114.0 million representing \$2.17 per Unit.

**Market conditions**

As we move into the second half of FY23, global economic indicators are mixed, inflation appears to have peaked, but remains high; central banks continue to raise interest rates; short term Treasury yields are high, but the curve is inverted; and company profits appear, at this stage, to be relatively stable. Geopolitical headwinds have exacerbated the uncertainty and volatility across most publicly traded asset classes remains high. Data points indicate a looming recession, with the impact on broader economic activity, profits, capital flows and asset values uncertain.

Global equities (MSCI World) have now declined for the third straight quarter, returning -18.1% in local currency terms for HY23, while US equities have fared marginally worse, down 20.2% over the same period. As would be expected, M&A (mergers and acquisitions) has slowed dramatically, and the IPO market has ground to a halt. In fact, we are now seeing a reversal, with a number of listed companies being taken private. Private equity funds still hold record levels of cash, and while recent trends, including a slowing of fund raisings, a slowing cadence of deals across the PE spectrum and a collapse in "mega" deals may point to a slowing PE market, the lower-middle market, where the Fund typically invests, are in our view well positioned to weather this period of economic uncertainty.

Lastly, and as flagged in the FY22 letter to Unitholders, despite the public market volatility and decline in public market valuation multiples, most underlying companies across the portfolio are well capitalised and have been able to maintain or grow revenues and manage costs through this initial period of elevated inflation. Thus far we have not seen any meaningful reduction in valuation of private investments, although it is still early in this down cycle. What we expect is for realisation events to continue to occur for high quality investments, but for the overall rate of realisations to decline (noting the exceptional back-drop from late-2020 to early 2022) and holding periods to extend. Additionally, it is possible that valuations may be revised downward and there is potential for some investments to fail. We remind Unitholders that most underlying investments were bought at attractive multiples (well below public markets levels) and have grown substantially since acquisition. Underlying managers and company management will be working hard to safeguard businesses, while looking for expansion opportunities and/or attractive exit points.

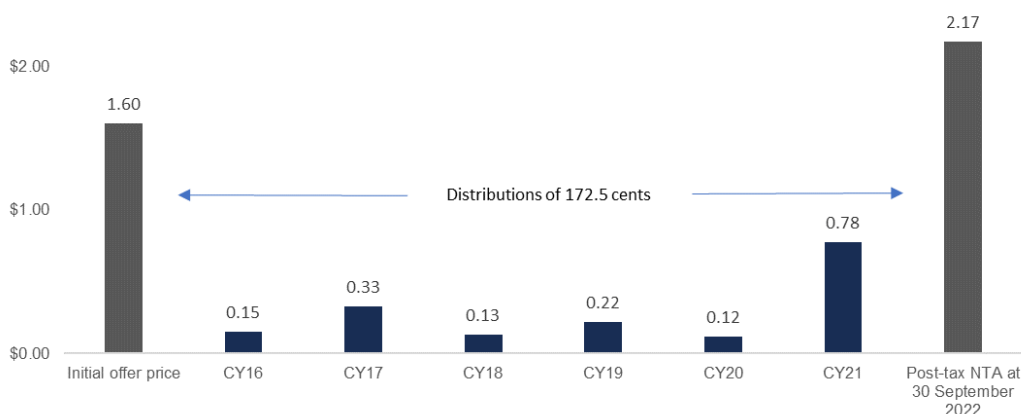
**CD Private Equity Fund II**  
**Report to unitholders**  
**30 September 2022**

**Distributions**

The Fund did not announce any distributions to unitholders in HY23. On 31 October 2022, and subsequent to the end of the period, the Fund announced a distribution of 28 cents per unit, with a payment date of 25 November 2022.

The distributions paid since inception (excluding the distribution noted above) are shown in the graphic below, which also indicates the value of the original investment and the net tangible asset per Unit as at the end of this six-month period. Total distributions paid to investors since inception of 172.5 cents per Unit, or represents 108% of, the \$1.60 initial offer price.

CD2 Unit Value and Income



In addition to returning funds to Unitholders via distributions, the Fund commenced an on-market buyback of Units on 29 June 2021 with the final buyback on 27 June 2022. During HY23 691,292 Units were bought back at an average unit price of \$1.43 per Unit (28% discount to average NAV). Total Units bought back under the program were 2,710,954 units at an average price per unit of \$1.55 or 23% below the average NAV for period.

**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 its investment in the LP, the Fund is fully committed across 12<sup>1</sup> highly attractive US private investment funds all focused on small-to-mid-market private investment opportunities, for a total consideration of US\$98.0 million (this is on a 100% LP basis, the Fund has an 87.3% share of the LP).

At 30 September 2022 US\$81.4 million (or 95.3% of total funds committed) had been called by the LP. The Fund’s proportionate share of this is approximately US\$71.1 million (an 87.3% share). A full list of underlying fund exposures at 30 September 2022 and valuations can be found in the notes of this report.

During the period, the LP received eight drawdown requests offset by two capital returns. Net flows to the LP for the period from underlying funds, including distributions, were approximately US\$8.4 million. At 30 September 2022, net drawdown requests from underlying investments were approximately US\$83.7 million (or 85.4% of LP total commitments to underlying funds). Future LP commitments to underlying US PE funds will be met by callable capital from limited partners, including the Fund, retained capital and cash flows from underlying US PE funds, where required.

<sup>1</sup> The LP received final distributions from DFW Capital Partners IV, L.P. (December 2021) and RFE Investment Partners VIII, L.P. (March 2022) and has no remaining capital with these funds.

**CD Private Equity Fund II**  
**Report to unitholders**  
**30 September 2022**

**Underlying portfolio update**

The LP made a distribution of US\$11.5 million to limited partners following 30 June 2022. The Fund's net share was US\$10.0 million. The following is a summary of all significant capital activity for HY23.

**Chicago Pacific Founders Fund, L.P.** distributed proceeds relating to the partial sale of portfolio company Sage Veterinary Centres, resulting in a net distribution of US\$4.1 million to the LP.

**High Road Capital Partners Fund II, L.P.** distributed proceeds relating to the sale of Radix Wire & Cable and a small escrow release from a prior sale, resulting in a distribution of US\$1.8 million to the LP.

**NMS Fund II, L.P.** distributed proceeds relating to the prior sale of Anne Arundle Dermatology and sale of second portfolio company, partially offset by capital called to fund management fees and partnership expenses, resulting in a distribution of US\$1.2 million to the LP.

**Main Post Growth Capital, L.P.** distributed proceeds relating to the sale of a portfolio company, partially offset by a capital call, resulting in a distribution of US\$0.6 million to the LP.

**Tower Arch Partners I, L.P.** distributed proceeds related to a number of underlying portfolio positions, including release of escrow funds from a prior transaction, debt restructuring, tax distributions and a recapitalisation offset by a capital call to fund a follow-on investment into a portfolio investment. This resulted in aggregate net distributions of US\$0.5 million to the LP.

**Blue Point Capital Partners III, L.P.** and **Staple Street Capital II, L.P.** also distributed proceeds from transactions, however these were not meaningful and were largely offset by capital calls.

**Merger proposal**

On 5 October 2022, the Responsible Entity of the Fund announced a proposed merger of the four Funds in the Series. It was proposed that the merger be achieved by way of a trust scheme of arrangement whereby CD3 would acquire all of the Units in CD1, CD2, and CD4 to form a single larger and more diversified fund. The proposal was to be put forward at a Unitholder meeting on 7 November 2022, however on 31 October 2022 the Responsible Entity determined not to proceed with the proposal due to Unitholder feedback and withdrew the resolutions. The Responsible Entity continues to believe that it was in the best interests of investors to recommend the merger and put it to investors for consideration.

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 2022**

**CD Private Equity Fund II**  
**Directors' report**  
**30 September 2022**

The directors of E&P Investments Limited, the Responsible Entity of the CD Private Equity Fund II (**Fund**), present their report together with the condensed financial statements of the Fund for the half-year ended 30 September 2022.

**Directors**

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

- Stuart Nisbett
- Peter Shear
- Warwick Keneally

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 \$10,367,113 (30 September 2021: \$21,451,909).

The key component of this result was a \$10,305,363 fair value gain (30 September 2021: \$25,653,826) on the Fund's investment in the LP during the period. As at 30 September 2022, the Fund had net assets of \$114,031,239 (31 March 2022: \$104,653,586), representing \$2.17 per unit (31 March 2022: \$1.97 per unit).

The Fund has invested in a limited partnership, US Select Private Opportunities Fund II, L.P. (**LP**), which, in turn, invests in small-to-mid market private investment funds and companies. The LP has committed capital across 12 underlying private investment funds which focus on a range of industries including consumer products, manufacturing and business services. For the half-year ended 30 September 2022, 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 half-year totalled US\$83.8 million.

The Fund has committed capital of US\$74.6 million, representing an interest of 87.3% in the LP. The Fund's proportionate share of the total capital called as at 30 September 2022 was US\$71.1 million (or \$111.1 million).

**Distributions**

Distributions paid during the financial half-year were as follows:

	<b>30</b> <b>September</b> <b>2022</b> \$	<b>30</b> <b>September</b> <b>2021</b> \$
Distribution - 34 cents per unit paid on 29 June 2021	-	<u>18,764,614</u>

**CD Private Equity Fund II**  
**Directors' report**  
**30 September 2022**

**Events subsequent to the reporting period**

On 5 October 2022, the Responsible Entity of the Fund announced a proposed merger of the Fund, CD Private Equity Fund I (ARSN 158 625 284) (**CD1**), CD Private Equity Fund III (ARSN 612 132 813) (**CD3**), CD Private Equity Fund IV (ARSN 624 474 531) (**CD4**) (together, the CD Private Equity Fund Series or Fund Series). It was proposed that the merger would be achieved by way of a trust scheme of arrangement (Scheme) whereby CD3 would acquire all of the Units in CD1, CD4 and the Fund to form a single larger and more diversified fund to be re-named the CD Private Equity Fund (**Merged Fund**). It was then proposed that the Merged Fund would, after approximately 6 months, be converted from a closed-ended listed trust to an open-ended unlisted unit trust structure (**Proposal**). The proposal was to be put forward at a Unitholder meeting on 7 November 2022.

On 31 October 2022, the Responsible Entity determined not to proceed with the Proposal. As such, at the General Meeting on 7 November 2022, the Chair proposed that the resolutions relating to the Proposal be withdrawn, and that was approved by ordinary resolution at the General Meeting.

The Responsible Entity also declared a distribution of \$0.28 per unit paid on 25 November 2022.

No other matter or circumstance has arisen since 30 September 2022 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.

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 2022

The Board of Directors  
E&P Investments Limited  
as Responsible Entity for:  
CD Private Equity Fund II  
Level 32, 1 O'Connell Street  
Sydney NSW 2000  
Australia

29 November 2022

Dear Board Members

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

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 II.

As lead audit partner for the review of the half-year financial report of CD Private Equity Fund II for the half-year ended 30 September 2022, 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



Carlo Pasqualini  
Partner  
Chartered Accountants



**CD Private Equity Fund II**  
**Condensed statement of profit or loss and other comprehensive income**  
**For the half-year ended 30 September 2022**

	<b>Note</b>	<b>30 September 2022 \$</b>	<b>30 September 2021 \$</b>
<b>Investment income</b>			
Interest income		40,705	3,891
Foreign exchange gain/(loss)		453,567	(43,484)
Fair value movements of equity investments	4	<u>10,305,363</u>	<u>25,653,826</u>
Total investment income		<u>10,799,635</u>	<u>25,614,233</u>
<b>Expenses</b>			
Management and administration fees	8	(261,232)	(267,677)
Listing fees		(24,243)	(21,820)
Custody fees		(10,431)	(10,571)
Registry fees		(18,026)	(27,976)
Legal and professional fees		(91,056)	(90,890)
Transaction costs		(138,000)	-
Other expenses		<u>(6,484)</u>	<u>(2,649)</u>
Total expenses		<u>(549,472)</u>	<u>(421,583)</u>
<b>Profit before income tax benefit/(expense)</b>		10,250,163	25,192,650
Income tax benefit/(expense)		<u>116,950</u>	<u>(3,740,741)</u>
<b>Profit after income tax benefit/(expense) for the half-year</b>		10,367,113	21,451,909
Other comprehensive income for the half-year, net of tax		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the half-year</b>		<u><u>10,367,113</u></u>	<u><u>21,451,909</u></u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per unit	3	19.19	38.95
Diluted earnings per unit	3	19.19	38.95

*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 II**  
**Condensed statement of financial position**  
**As at 30 September 2022**

	<b>Note</b>	<b>30 September 2022 \$</b>	<b>31 March 2022 \$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		26,028,289	11,515,075
Receivables		69,901	26,865
<b>Total current assets</b>		<u>26,098,190</u>	<u>11,541,940</u>
<b>Non-current assets</b>			
Other financial assets	4	<u>96,047,394</u>	<u>100,526,700</u>
<b>Total non-current assets</b>		<u>96,047,394</u>	<u>100,526,700</u>
<b>Total assets</b>		<u>122,145,584</u>	<u>112,068,640</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		229,293	188,064
Current tax payables		1,514,020	661,428
<b>Total current liabilities</b>		<u>1,743,313</u>	<u>849,492</u>
<b>Non-current liabilities</b>			
Deferred tax	5	<u>6,371,032</u>	<u>6,565,562</u>
<b>Total non-current liabilities</b>		<u>6,371,032</u>	<u>6,565,562</u>
<b>Total liabilities</b>		<u>8,114,345</u>	<u>7,415,054</u>
<b>Net assets</b>		<u>114,031,239</u>	<u>104,653,586</u>
<b>Equity</b>			
Unit capital	6	82,891,568	83,881,028
Retained earnings		<u>31,139,671</u>	<u>20,772,558</u>
<b>Total equity</b>		<u>114,031,239</u>	<u>104,653,586</u>

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

**CD Private Equity Fund II**  
**Condensed statement of changes in equity**  
**For the half-year ended 30 September 2022**

	<b>Unit capital</b>	<b>Retained</b>	<b>Total equity</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 April 2021	87,096,476	36,083,238	123,179,714
Profit after income tax expense for the half-year	-	21,451,909	21,451,909
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	21,451,909	21,451,909
<i>Transactions with unitholders in their capacity as unitholders:</i>			
Unit buy-backs (note 6)	(706,998)	-	(706,998)
Buy-back costs (note 6)	(1,812)	-	(1,812)
Distributions paid (note 7)	-	(18,764,614)	(18,764,614)
Balance at 30 September 2021	<u>86,387,666</u>	<u>38,770,533</u>	<u>125,158,199</u>
	<b>Unit capital</b>	<b>Retained</b>	<b>Total equity</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 April 2022	83,881,028	20,772,558	104,653,586
Profit after income tax benefit for the half-year	-	10,367,113	10,367,113
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	10,367,113	10,367,113
<i>Transactions with unitholders in their capacity as unitholders:</i>			
Unit buy-backs (note 6)	(986,930)	-	(986,930)
Buy-back costs (note 6)	(2,530)	-	(2,530)
Balance at 30 September 2022	<u>82,891,568</u>	<u>31,139,671</u>	<u>114,031,239</u>

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

**CD Private Equity Fund II**  
**Condensed statement of cash flows**  
**For the half-year ended 30 September 2022**

	<b>30</b> <b>September</b> <b>2022</b> \$	<b>30</b> <b>September</b> <b>2021</b> \$
<b>Cash flows from operating activities</b>		
Interest income received	20,067	3,814
Net payments to suppliers	(494,394)	(508,802)
Income tax paid	(339,257)	-
Net cash used in operating activities	<u>(813,584)</u>	<u>(504,988)</u>
<b>Cash flows from investing activities</b>		
Receipts from distributions	<u>14,715,185</u>	<u>18,908,709</u>
Net cash from investing activities	<u>14,715,185</u>	<u>18,908,709</u>
<b>Cash flows from financing activities</b>		
Payment for distribution	-	(18,764,614)
Payment for unit buy-backs	(1,023,176)	(690,220)
Payment of buy-back costs	(2,531)	(1,812)
Net cash used in financing activities	<u>(1,025,707)</u>	<u>(19,456,646)</u>
Net increase/(decrease) in cash and cash equivalents	12,875,894	(1,052,925)
Cash and cash equivalents at the beginning of the financial half-year	11,515,075	12,876,566
Effects of exchange rate changes on cash and cash equivalents	<u>1,637,320</u>	<u>360,746</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>26,028,289</u></u>	<u><u>12,184,387</u></u>

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

**CD Private Equity Fund II**  
**Notes to the condensed financial statements**  
**30 September 2022**

**1. General information**

CD Private Equity Fund II (**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 II, L.P. (**LP**) registered in the Cayman Islands.

This half-year financial report is intended to provide users with an update on the latest annual 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 2022.

(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 4 (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 5), 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 II  
Notes to the condensed financial statements  
30 September 2022

3. Earnings per unit

	<b>30 September 2022 \$</b>	<b>30 September 2021 \$</b>
Profit after income tax	<u>10,367,113</u>	<u>21,451,909</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary units used in calculating basic earnings per unit	<u>54,030,867</u>	<u>55,077,776</u>
Weighted average number of ordinary units used in calculating diluted earnings per unit	<u>54,030,867</u>	<u>55,077,776</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per unit	19.19	38.95
Diluted earnings per unit	19.19	38.95

4. Non-current assets - other financial assets

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

	<b>30 September 2022 \$</b>	<b>31 March 2022 \$</b>
US Select Private Opportunities Fund II, LP (LP)	<u>96,047,394</u>	<u>100,526,700</u>

	<b>30 September 2022 \$</b>	<b>31 March 2022 \$</b>
(ii) Reconciliation		
Balance at the beginning of the period	100,526,700	115,737,477
Movement in fair value through profit or loss*	10,305,363	26,583,490
Distributions received from LP	<u>(14,784,669)</u>	<u>(41,794,267)</u>
Balance at the end of the period	<u>96,047,394</u>	<u>100,526,700</u>

\* Included in the 'movement in fair value' amount of \$10,305,363 gain (year ended 31 March 2022: \$26,583,490 gain) is an unrealised foreign exchange translation gain component of \$15,601,247 (year ended 31 March 2022: \$1,972,164 gain). This amount is also net of the Fund's 87.3% share of management fees paid by the LP to the General Partner of the LP, totaling \$1,055,981 (year ended 31 March 2022: \$2,034,613) (refer to note 8).

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

The 87.3% 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.

**CD Private Equity Fund II**  
**Notes to the condensed financial statements**  
**30 September 2022**

**4. Non-current assets - other financial assets (continued)**

The Fund's 87.3% interest in US Select Private Opportunities Fund II, L.P. at 30 September 2022 is represented by its proportionate interest in the LP's assets and liabilities as follows:

	<b>30</b>	<b>31 March</b>
	<b>September</b>	<b>2022</b>
	<b>2022</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Cash	12,953,497	15,736,650
Investment in US private investment funds recorded at fair value:		
Blue Point Capital Partners III, LP	3,161,728	2,671,978
Chicago Pacific Founders Fund, LP	32,892,276	35,060,558
High Road Capital Partners Fund II, LP	4,282,435	5,757,202
Main Post Growth Capital, LP	9,546,969	8,571,763
NMS Fund II, LP	4,809,816	3,922,007
Staple Street Capital II, LP	7,514,193	6,243,112
Tengram Capital Partners Gen 2 Fund	4,256,853	4,421,129
Tower Arch Partners I, LP	2,102,201	2,380,443
Trive Capital Fund I, LP	747,065	566,148
US Select Direct Private Equity Fund (US), LP	13,780,325	12,816,963
Other assets	36	1,592,412
Other receivables	-	786,335
	<u>96,047,394</u>	<u>100,526,700</u>
Net assets*	<u>96,047,394</u>	<u>100,526,700</u>

\* Included in the net assets of \$96,047,394 (31 March 2022: \$100,526,700) are investments in US private investment funds of \$83,093,861 (31 March 2022: \$82,411,303).

(iv) Valuation

*Valuation technique adopted*

As disclosed in the most recent 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 87.3% 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 2022 adjusted for any changes to those valuations to reflect movements to 30 September 2022, including foreign exchange translation impacts arising from translating the USD denominated interest in the LP to AUD at each balance date.

**CD Private Equity Fund II**  
**Notes to the condensed financial statements**  
**30 September 2022**

**4. Non-current assets - other financial assets (continued)**

*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 5).

*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 \$4,154,693 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 \$4,573,682. Conversely, a 5% decrease would increase the value of the Fund's investment by \$5,055,129. 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.

(v) Capital commitments

As at 30 September 2022, the Fund has made capital commitments totaling US\$74.6 million to the LP, of which US\$71.1 million has been called at balance date.

As at 30 September 2022, the Fund has uncalled capital commitments of US\$3.5 million (or \$5.5 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 0.6400.

**5. Non-current liabilities - deferred tax**

	<b>30</b>	<b>31 March</b>
	<b>September</b>	<b>2022</b>
	<b>2022</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Deferred tax liability	<u>6,371,032</u>	<u>6,565,562</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.



**CD Private Equity Fund II**  
**Notes to the condensed financial statements**  
**30 September 2022**

**6. Equity - unit capital**

	<b>30</b>	<b>31 March</b>	<b>30</b>	<b>31 March</b>
	<b>September</b>	<b>2022</b>	<b>September</b>	<b>2022</b>
	<b>Units</b>	<b>Units</b>	<b>\$</b>	<b>\$</b>
Ordinary units - fully paid	<u>52,479,086</u>	<u>53,170,378</u>	<u>82,891,568</u>	<u>83,881,028</u>

*Movements in ordinary unit capital*

<b>Details</b>	<b>Date</b>	<b>Units</b>	<b>\$</b>
Balance	1 April 2022	53,170,378	83,881,028
Unit buy-backs		(691,292)	(986,930)
Buy-back costs		-	(2,530)
Balance	30 September 2022	<u>52,479,086</u>	<u>82,891,568</u>

All issued units are fully paid. The holders of ordinary units are entitled to one vote per unit at meetings of the Fund and are entitled to receive distributions declared from time to time by the Responsible Entity.

*Unit buy-back*

There is no current on-market unit buy-back. The previous on-market buy-back program ended on 27 June 2022.

**7. Equity - distributions**

Distributions paid during the financial half-year were as follows:

	<b>30</b>	<b>30</b>
	<b>September</b>	<b>September</b>
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Distribution - 34 cents per unit paid on 29 June 2021	<u>-</u>	<u>18,764,614</u>

**8. Related party disclosures**

*Directors*

Stuart Nisbett, Peter Shear and Warwick Keneally 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.

*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. This is comprised of the Responsible Entity Fee of 0.08% per annum and Administration Fee of 0.25% per annum. Management fees are paid to the Responsible Entity quarterly in advance.

The total management fees paid to the Responsible Entity for the half-year ended 30 September 2022 was \$191,117 (2021: \$198,060), exclusive of GST. There were no outstanding management fees as at 30 September 2022 (2021: nil).

**CD Private Equity Fund II**  
**Notes to the condensed financial statements**  
**30 September 2022**

**8. Related party disclosures (continued)**

*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 2022 were \$60,000 (2021: \$60,000), exclusive of GST.

*Investment manager fee*

US Select Private Opportunities Fund II, L.P. (LP), in which the Fund holds an 87.3% interest, is required to pay its Investment Manager, US Select Private Opportunities Fund II, 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 2% 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 30 September 2022 amounted to \$1,209,601 (US\$845,040) (2021: \$1,145,588 (US\$861,679)). The Fund's 87.3% interest equates to \$1,055,981 (2021: \$1,000,098). This fee is recorded in the books of the LP.

*US Select Direct Private Equity Fund (US), L.P.*

At balance date, the Fund's share of the LP's investment in US Select Direct Private Equity Fund (US), L.P. was \$13,780,325 (US\$8,819,408) (31 March 2022: \$12,816,963 (US\$9,589,652)). The General Partner of this investment is associated with the Responsible Entity of the Fund. The LP's share of the investment management fees paid to the General Partner for the half-year ended 30 September 2022 amounted to \$ nil.

**9. 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
	\$	\$	\$	\$

*Financial assets carried at fair value*

Other financial assets - equity investment constituting interest in US Select Private Opportunities Fund II, LP	-	-	96,047,394	96,047,394
Total assets	-	-	96,047,394	96,047,394

**31 March 2022**

*Financial assets carried at fair value*

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Other financial assets - equity investment constituting interest in US Select Private Opportunities Fund II, LP	-	-	100,526,700	100,526,700
Total assets	-	-	100,526,700	100,526,700

**CD Private Equity Fund II**  
**Notes to the condensed financial statements**  
**30 September 2022**

**9. Fair value measurement (continued)**

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 2022.

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 4 (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.

**10. Events after the reporting period**

On 5 October 2022, the Responsible Entity of the Fund announced a proposed merger of the Fund, CD Private Equity Fund I (ARSN 158 625 284) (**CD1**), CD Private Equity Fund III (ARSN 612 132 813) (**CD3**), CD Private Equity Fund IV (ARSN 624 474 531) (**CD4**) (together, the CD Private Equity Fund Series or Fund Series). It was proposed that the merger would be achieved by way of a trust scheme of arrangement (Scheme) whereby CD3 would acquire all of the Units in CD1, CD4 and the Fund to form a single larger and more diversified fund to be re-named the CD Private Equity Fund (**Merged Fund**). It was then proposed that the Merged Fund would, after approximately 6 months, be converted from a closed-ended listed trust to an open-ended unlisted unit trust structure (**Proposal**). The proposal was to be put forward at a Unitholder meeting on 7 November 2022.

On 31 October 2022, the Responsible Entity determined not to proceed with the Proposal. As such, at the General Meeting on 7 November 2022, the Chair proposed that the resolutions relating to the Proposal be withdrawn, and that was approved by ordinary resolution at the General Meeting.

The Responsible Entity also declared a distribution of \$0.28 per unit paid on 25 November 2022.

No other matter or circumstance has arisen since 30 September 2022 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 II**  
**Directors' declaration**  
**30 September 2022**

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 2022 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 2022

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

### *Conclusion*

We have reviewed the half-year financial report of CD Private Equity Fund II ("the Fund"), which comprises the condensed statement of financial position as at 30 September 2022, 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 2022 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 2022 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*  
DELOITTE TOUCHE TOHMATSU



Carlo Pasqualini  
Partner  
Chartered Accountants  
Sydney, 29 November 2022

**CD Private Equity Fund II**  
**Corporate directory**  
**30 September 2022**

The Fund's units are quoted on the official list of Australian Securities Exchange (**ASX**).  
The ASX code is **CD2**.

**CD Private Equity Fund II**

(ARSN 162 057 089)  
Registered & Principal Office  
Level 32, 1 O'Connell Street  
SYDNEY NSW 2000  
T 1300 454 801  
F 1300 883 159  
E [info@cdfunds.com.au](mailto:info@cdfunds.com.au)  
[cdfunds.com.au](http://cdfunds.com.au)

**Responsible Entity**

E&P Investments Limited  
(ACN 152 367 649)  
(AFSL 410 433)  
Level 32, 1 O'Connell Street  
SYDNEY NSW 2000  
T 1300 454 801  
F 1300 883 159  
E [info.funds@eap.com.au](mailto:info.funds@eap.com.au)  
[eap.com.au](http://eap.com.au)

**Directors**

Stuart Nisbett  
Peter Shear  
Warwick Keneally

**Secretary**

Caroline Purtell

**Auditor**

Deloitte Touche Tohmatsu  
Grosvenor Place  
225 George Street  
SYDNEY NSW 2000  
T +61 2 9322 7000  
F +61 2 9322 7001  
[deloitte.com.au](http://deloitte.com.au)

**Unit Register**

Boardroom Pty Limited  
Level 8, 210 George Street  
SYDNEY NSW 2000  
T 1300 737 760 (Australia)  
T +61 2 9290 9600 (International)  
F 1300 653 459  
[boardroomlimited.com.au](http://boardroomlimited.com.au)

