



Half-Year Financial Report

FOR THE HALF-YEAR ENDED
30 SEPTEMBER 2022

ARSN 612 132 813

RESPONSIBLE ENTITY



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

CD Private Equity Fund III

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30 September 2022

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CD Private Equity Fund III
Report to unitholders
30 September 2022

Dear Unitholders,

We present to you this report on the performance of the CD Private Equity Fund III (**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 24.5%, 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 17.8% 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 III, L.P. (**LP**), the investment vehicle through which the Fund's investments in the underlying US private investment funds are made, was positive 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 \$24.5 million. Overall, during the period the Fund posted a net profit of \$31.6 million, or 43.86 cents per Unit, compared with a net profit of \$40.6 million, or 56.42 cents per Unit for the corresponding period last year. At 30 September 2022, the Fund had pre-tax net assets of \$188.4 million representing \$2.62 per Unit and post-tax net assets of \$180.5 million representing \$2.51 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.

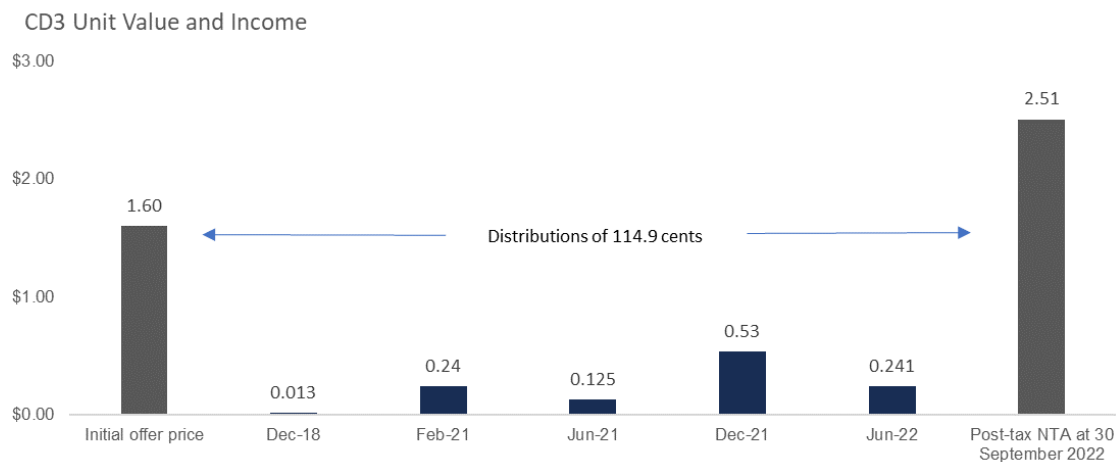
Lastly, and as flagged in the FY22 letter to Unitholders, despite the public market volatility and decline in public market valuation multiples, most underlying companies across the portfolio are well capitalised and have been able to maintain or grow revenues and manage costs through this initial period 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.

Distributions

The Fund announced one distribution to unitholders in HY23 (announcement date 24 June 2022), paying 24.1 cents per Unit on 19 August 2022. Subsequent to the end of the period, the Fund announced a distribution of 21 cents per unit, with a payment date of 25 November 2022. The LP made a distribution of US\$20 million to limited partners following 30 June 2022. CD3's net share was US\$14.1 million.

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The distributions paid since inception (excluding the distribution paid in November 2022) 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 114.9 cents per Unit represents 72% of the \$1.60 initial offer price.



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 III, L.P. (LP), the Fund is committed across 13 highly attractive US private investment funds all focused on small-to-mid-market private investment opportunities, for a total consideration of US\$117.5 million (this is on a 100% LP basis, the Fund has an 71.2% share of the LP). The 13 US PE funds are substantially progressed, with an aggregate investment of approximately 100 underlying companies (net of realisations).

At 30 September 2022, US\$98.5 million (or 92.9% of total funds committed) had been called by the LP. The Fund’s proportionate share of this is approximately US\$70.2 million (a 71.2% 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 15 drawdown requests and three capital returns for a total net capital call of US\$2.7 million. At 30 September 2022, net drawdown requests from underlying investments were approximately US\$94.4 million (or 80.3% 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.

Underlying portfolio update

There were a number of positive realisations during the half-year and a number of underlying funds called capital from the LP for further investment. The following is a summary of all significant capital activity for HY23.

Gemspring Capital Fund I, L.P. distributed proceeds relating to the partial sale of talent acquisition technology platform operator Radancy, partially offset by withholding tax, resulting in a net distribution of US\$9.1 million to the LP.

Growth Street Partners I, L.P. distributed investment proceeds relating to the recapitalisation of Suralink and the sale of Hotel Effectiveness resulting in an aggregate distributions (net of capital calls) of US\$4.0 million.

Peakspan Capital Fund I, L.P. distributed investment proceeds relating to the partial realisation of portfolio company Cyara and three other investments, resulting in a distribution of US\$1.3 million to the LP.

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Elephant Partners Fund I, L.P. distributed proceeds relating to the sale of Ratehub, resulting in a distribution of US\$0.9 million to the LP.

DFW Capital Partners V, L.P. distributed investment proceeds, including escrow proceeds relating to two prior exits, resulting in a distribution to the LP of US\$0.5 million.

Trive Capital Fund II, L.P. distributed proceeds relating to the sale of Wellman Dynamics and escrow release from form a prior sale, resulting in a distribution of US\$0.4 million to the LP.

Incline Equity Partners IV, L.P. called capital to fund a follow-on investment in an existing portfolio company and to fund the acquisition of Raney's, partially offset by the receipt of escrowed proceeds resulting in a net capital call from the LP of US\$0.6 million. Raney's is an Ocala, Florida based e-commerce distributor of aftermarket heavy-duty truck parts and accessories.

NMS Fund III, L.P. called capital to fund investment in Strive Medical following its add-on acquisition of the urology division of US Medical Supply. Strive Medical is a provider of direct-to-patient urological and wound care supplies to patients in the home setting, serving patients across the US.

Other underlying funds, including **Telescope Partners I, L.P.**, **NMS Fund III, L.P.** and **U.S. Select Direct Private Equity II, L.P.** called capital for follow-on investments in existing portfolio companies.

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 III
Directors' report
30 September 2022

The directors of E&P Investments Limited, the Responsible Entity of the CD Private Equity Fund III (**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 \$31,594,376 (30 September 2021: \$40,636,673).

The key components of this result was a \$32,075,110 fair value gain (30 September 2021: \$43,470,174) incurred on the Fund's investment in the LP during the period. As at 30 September 2022, the Fund had net assets of \$180,543,492 (31 March 2022: \$166,307,965), representing \$2.51 per unit (31 March 2022: \$2.31 per unit).

The Fund has invested in a limited partnership, US Select Private Opportunities Fund III, L.P. (**LP**) which, in turn, invests in small-to-mid market private investment funds and companies. The LP has committed capital across 13 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 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 period totalled US\$94.4 million.

In June 2022, the Fund's capital commitment was reduced from US\$81.2 million to US\$75.5 million, representing an interest of 71.2% in the LP. The Fund's proportionate share of the total capital called as at 30 September 2022 was US\$70.2 million (or \$109.6 million).

Distributions

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

	30 September 2022 \$	30 September 2021 \$
Distribution - 24.1 cents per unit paid on 19 August 2022	17,358,849	-
Distribution - 12.5 cents per unit paid on 29 June 2021	-	9,003,555
	<u>17,358,849</u>	<u>9,003,555</u>

**CD Private Equity Fund III
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 II (ARSN 162 057 089) (**CD2**), 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 the Fund would acquire all of the Units in CD1, CD2 and CD4 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 \$0.21 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 III
Level 32, 1 O'Connell Street
Sydney NSW 2000
Australia

29 November 2022

Dear Board Members

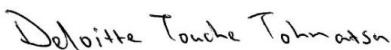
Auditor's Independence Declaration to CD Private Equity Fund III

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 III.

As lead audit partner for the review of the half-year financial report of CD Private Equity Fund III 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 III
Condensed statement of profit or loss and other comprehensive income
For the half-year ended 30 September 2022

	Note	30 September 2022 \$	30 September 2021 \$
Investment income			
Interest income		72,090	2,812
Foreign exchange gain		1,359,200	691,345
Fair value movements of equity investments	3	<u>32,075,110</u>	<u>43,470,174</u>
Total investment income		<u>33,506,400</u>	<u>44,164,331</u>
Expenses			
Management and administration fees	7	(371,131)	(339,832)
Listing fees		(29,006)	(30,019)
Custody fees		(16,260)	(13,505)
Registry fees		(22,730)	(27,937)
Legal and professional fees		(110,997)	(94,350)
Transaction costs		(408,000)	-
Other expenses		<u>(6,594)</u>	<u>(2,751)</u>
Total expenses		<u>(964,718)</u>	<u>(508,394)</u>
Profit before income tax expense		32,541,682	43,655,937
Income tax expense		<u>(947,306)</u>	<u>(3,019,264)</u>
Profit after income tax expense for the half-year		31,594,376	40,636,673
Other comprehensive income for the half-year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the half-year		<u>31,594,376</u>	<u>40,636,673</u>
		Cents	Cents
Basic earnings per unit		43.86	56.42
Diluted earnings per unit		43.86	56.42

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 III
Condensed statement of financial position
As at 30 September 2022

	30	31 March
Note	September	2022
	2022	2022
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	29,256,456	23,710,544
Receivables	37,177	19,469
Prepayments	37,638	11,665
Total current assets	<u>29,331,271</u>	<u>23,741,678</u>
Non-current assets		
Other financial assets	3	159,717,186
Total non-current assets	<u>159,717,186</u>	<u>148,721,726</u>
Total assets	<u>189,048,457</u>	<u>172,463,404</u>
Liabilities		
Current liabilities		
Trade and other payables	623,160	269,302
Current tax payables	494,127	1,435,316
Total current liabilities	<u>1,117,287</u>	<u>1,704,618</u>
Non-current liabilities		
Deferred tax	4	7,387,678
Total non-current liabilities	<u>7,387,678</u>	<u>4,450,821</u>
Total liabilities	<u>8,504,965</u>	<u>6,155,439</u>
Net assets	<u>180,543,492</u>	<u>166,307,965</u>
Equity		
Unit capital	5	109,672,616
Retained earnings	<u>70,870,876</u>	<u>56,635,349</u>
Total equity	<u>180,543,492</u>	<u>166,307,965</u>

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

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

	Unit capital \$	Retained earnings \$	Total equity \$
Balance at 1 April 2021	109,672,616	45,117,957	154,790,573
Profit after income tax expense for the half-year	-	40,636,673	40,636,673
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	40,636,673	40,636,673
<i>Transactions with unitholders in their capacity as unitholders:</i>			
Distribution paid (note 6)	-	(9,003,555)	(9,003,555)
Balance at 30 September 2021	<u>109,672,616</u>	<u>76,751,075</u>	<u>186,423,691</u>

	Unit capital \$	Retained earnings \$	Total equity \$
Balance at 1 April 2022	109,672,616	56,635,349	166,307,965
Profit after income tax expense for the half-year	-	31,594,376	31,594,376
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	31,594,376	31,594,376
<i>Transactions with unitholders in their capacity as unitholders:</i>			
Distribution paid (note 6)	-	(17,358,849)	(17,358,849)
Balance at 30 September 2022	<u>109,672,616</u>	<u>70,870,876</u>	<u>180,543,492</u>

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

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

	30 September 2022 \$	30 September 2021 \$
Cash flows from operating activities		
Interest income received	53,717	2,923
Net payments to suppliers	(636,166)	(614,027)
Income tax refund	155,900	-
Net cash used in operating activities	<u>(426,549)</u>	<u>(611,104)</u>
Cash flows from investing activities		
Receipts from distributions	<u>20,741,412</u>	<u>9,026,420</u>
Net cash from investing activities	<u>20,741,412</u>	<u>9,026,420</u>
Cash flows from financing activities		
Payment for distribution	<u>(17,358,849)</u>	<u>(9,003,555)</u>
Net cash used in financing activities	<u>(17,358,849)</u>	<u>(9,003,555)</u>
Net increase/(decrease) in cash and cash equivalents	2,956,014	(588,239)
Cash and cash equivalents at the beginning of the financial half-year	23,710,544	18,030,336
Effects of exchange rate changes on cash and cash equivalents	<u>2,589,898</u>	<u>878,688</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>29,256,456</u></u>	<u><u>18,320,785</u></u>

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

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

1. General information

CD Private Equity Fund III (**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 III, 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 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 III
Notes to the condensed financial statements
30 September 2022

3. Non-current assets - other financial assets

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

	30	31 March
	September	2022
	2022	2022
	\$	\$
US Select Private Opportunities Fund III, LP (LP)	<u>159,717,186</u>	<u>148,721,726</u>
	30	31 March
	September	2022
	2022	2022
	\$	\$
(ii) Reconciliation		
Balance at the beginning of the period	148,721,726	140,607,553
Movement in fair value through profit or loss*	32,075,110	64,255,602
Distributions received from LP [^]	<u>(21,079,650)</u>	<u>(56,141,429)</u>
Balance at the end of the period	<u>159,717,186</u>	<u>148,721,726</u>

* Included in the 'movement in fair value' amount of \$32,075,110 gain (year ended 31 March 2022: \$64,255,602) is an unrealised foreign exchange translation gain component of \$24,541,312 (year ended 31 March 2022: \$3,427,568). This amount is also net of the Fund's 71.2% share of management fees paid by the LP to the General Partner of the LP, totalling \$558,346 (year ended 31 March 2022: \$1,097,818) and performance fees accrued by the LP to the GP, totalling \$15,012,152 (year ended 31 March 2022: \$12,099,956) (refer to note 7).

[^]Net distribution received from LP totalling \$280,224 (US\$188,715) (year ended 31 March 2022: \$2,272,456 (US\$1,654,478)) 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 71.2% 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 71.2% interest in US Select Private Opportunities Fund III, L.P. at 30 September 2022 is represented by its proportionate interest in the LP's assets and liabilities as follows:

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

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

	30	31 March
	September	2022
	2022	2022
	\$	\$
Cash	18,847,825	22,439,255
Investment in US private investment funds recorded at fair value:		
DFW Capital Partners V, LP	3,813,406	3,880,336
Elephant Partners I, LP	17,058,313	16,832,644
Encore Consumer Capital Fund III, LP	8,095,143	5,990,380
Gemspring Capital Fund I, LP	16,213,968	14,836,273
Growth Street Partners I, LP	6,062,090	7,476,267
Incline Equity Partners IV, LP	8,966,814	5,829,424
Luminate Capital Partners LP	5,972,034	5,197,146
NMS Fund III, LP	14,018,714	12,399,426
PeakSpan Capital Growth Partners I, LP	7,460,189	7,254,441
Smartsheet Inc	444,987	605,424
Telescope Partners I, LP	12,363,229	8,007,210
Trive Capital Fund II, LP	5,587,337	5,361,284
Bertram Growth Capital III, LP	6,791,839	7,047,130
US Select Direct Private Equity II, LP	43,065,481	37,208,965
Other receivables	-	456,077
Due to Incline Equity Partners IV LP	(32,031)	-
Accrued performance fees	<u>(15,012,152)</u>	<u>(12,099,956)</u>
Net assets*	<u>159,717,186</u>	<u>148,721,726</u>

*Included in the net assets of \$159,717,186 (31 March 2022: \$148,721,726) are investments in US private investment funds of \$155,913,544 (31 March 2022: \$137,926,350).

(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 71.2% 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 III
Notes to the condensed financial statements
30 September 2022

3. 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 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 \$7,795,677 (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 \$7,569,418. Conversely, a 5% decrease would increase the value of the Fund's investment by \$8,446,137. 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\$75.5 million to the LP, of which US\$70.2 million has been called at balance date.

As at 30 September 2022, the Fund has uncalled capital commitments of US\$5.3 million (or \$8.3 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.

4. Non-current liabilities - deferred tax

	30	31 March
	September	2022
	2022	2022
	\$	\$
Deferred tax liability	<u>7,387,678</u>	<u>4,450,821</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 III
Notes to the condensed financial statements
30 September 2022

5. Equity - unit capital

	30	31 March	30	31 March
	September	2022	September	2022
	Units	Units	\$	\$
Ordinary units - fully paid	<u>72,028,420</u>	<u>72,028,420</u>	<u>109,672,616</u>	<u>109,672,616</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.

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

6. Equity - distributions

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

	30	30
	September	September
	2022	2021
	\$	\$
Distribution - 24.1 cents per unit paid on 19 August 2022	17,358,849	-
Distribution - 12.5 cents per unit paid on 29 June 2021	-	<u>9,003,555</u>
	<u>17,358,849</u>	<u>9,003,555</u>

7. Related party disclosures

Directors

Stuart Nisbett, Peter Shear, 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 0.25% per annum. Management fees are paid to the Responsible Entity monthly in advance.

The total management fees paid to the Responsible Entity for the half-year ended 30 September 2022 was \$297,062 (2021: \$267,111), exclusive of GST. As at 30 September 2022, there were outstanding management fees of \$46,910 (exclusive GST) (2021: nil).

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.

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

7. Related party disclosures (continued)

Investment manager fee

US Select Private Opportunities Fund III, L.P. (LP), in which the Fund holds an 71.2% interest, is required to pay its Investment Manager, US Select Private Opportunities Fund III, 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% 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 2022 amounted to \$784,194 (US\$547,844) (2021: \$757,899 (US\$570,070)). The Fund's 71.2% interest equates to \$558,346 (2021: \$539,624). This fee is recorded in the books of the LP.

The GP is also entitled to a performance fee of 10% of the return achieved by the LP above invested capital once a cumulative, non-compounded, pre-tax return of 8% per annum (Hurdle Rate) on all capital contributed to the LP and not yet returned by distribution to the limited partners. The Hurdle Rate references to the LP, not the Fund level, and is denominated in US dollars. The performance fees will only be paid following the limited partners' actual receipt of invested capital and once the Hurdle Rate is achieved, through distribution of income and capital by the LP. For the half-year ended 30 September 2022, US\$13,456,271 (2021: US\$9,980,859) was accrued as performance fees. The Fund's interest equates to \$15,012,152 (US\$9,607,777) (2021: \$9,855,830 (US\$7,122,809)). This fee is accrued in the books of the LP.

US Select Direct Private Equity 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 \$43,065,481 (US\$27,561,908) (31 March 2022: \$37,208,965 (US\$27,839,748)). The General Partner of this investment is associated with the Responsible Entity of the Fund.

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 2022				
<i>Financial assets carried at fair value</i>				
Other financial assets - equity investment constituting interest in US Select Private Opportunities Fund III, LP	-	-	159,717,186	159,717,186
Total assets	-	-	159,717,186	159,717,186

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
31 March 2022				
<i>Financial assets carried at fair value</i>				
Other financial assets - equity investment constituting interest in US Select Private Opportunities Fund III, LP	-	-	148,721,726	148,721,726
Total assets	-	-	148,721,726	148,721,726

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

8. 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 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

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 II (ARSN 162 057 089) (**CD2**), 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 the Fund would acquire all of the Units in CD1, CD2 and CD4 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 \$0.21 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 III
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 III

Conclusion

We have reviewed the half-year financial report of CD Private Equity Fund III ("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 III
Directory
30 September 2022

The Fund's units are quoted on the official list of Australian Securities Exchange (**ASX**).
The ASX code is **CD3**.

CD Private Equity Fund III

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