

24 February 2023

CD Private Equity Fund IV (CDIV) (Fund) Response to Media Speculation

E&P Investments Limited, in its capacity as responsible entity (**Responsible Entity**) of CD Private Equity Fund I, CD Private Equity Fund II, CD Private Equity Fund III and CD Private Equity Fund IV (together, the **Fund Series**), notes the recent press speculation regarding an approach made by Pengana Capital Group (**Pengana**).

The Responsible Entity regularly evaluates various strategic options to maximise value creation for the Fund Series' unitholders. The Responsible Entity confirms that Pengana made a confidential, indicative, non-binding and incomplete proposal in relation to a proposed transaction with the Fund Series. The Responsible Entity engaged in discussions with Pengana, which resulted in a revised proposal (the **Proposal**) which is summarised below.

The Proposal provides CDIV unitholders the ability to gain liquidity given the Fund is currently unlisted and units cannot be redeemed for cash, however this is at a material discount to NAV.

Key terms of the proposal for CDIV include:

- Scheme of arrangement requiring approval of CDIV unitholders.
- 75% of the proposed value to be paid for CDIV units would be by way of issue of units in Pengana Private Equity Trust (**PE1**), which could be traded immediately.
- 15% of the proposed value in contingent units of PE1, which would become tradeable after 12 months unless the investor sells their other PE1 units, in which case the contingent units would be forfeited.
- 10% of the proposed value in contingent units of PE1, which would become tradeable after 18 months unless the investor sells their other PE1 units, in which case the contingent units would be forfeited.
- Based on the structure above and assuming the PE1 price remains at the current price of \$1.68 per PE1 unit (closing price as at 23 February 2023) following implementation of the Proposal, the Proposal represents a discount of 38% if PE1 units were sold in the first 12 months, 26% if PE1 units were sold between 12 and 18 months and 18% if sold after 18 months (in all cases, the discount is assessed with reference to the NAV of CDIV units as at 31 January 2023).
- The pro forma NAV attributable to each unitholder of CDIV would be reduced by a minimum of 12% from current NAV (assuming all contingent units were converted and sold after 18 months and assuming net asset value remains stable in both PE1 and CDIV at current levels).

Key reasons for the Responsible Entity forming a view that the Proposal is not compelling:

- **The split of value is too much in favour of PE1 and not sufficient for CDIV unitholders.** CDIV unitholders receive a minimum 12% dilution to NAV if they hold their PE1 units for 18 months post transaction completion, while PE1 unitholders will receive



a minimum 15.5% NAV uplift. The Responsible Entity therefore thinks the Proposal significantly undervalues CDIV units.

- **For unitholders seeking liquidity, the structure of the Proposal is at a material discount to current NAV.** Based on the current PE1 price, unitholders will receive a discount to current NAV of 18% to 38%, depending on when units are sold. Although CDIV units cannot currently be redeemed for cash, the Fund has begun returning capital to unitholders through cash distributions commencing in early 2023.
- **Long term exposure to PE1 trading price which may fall.** The ultimate value received is dependent on the trading price of PE1 for at least 18 months post completion. The PE1 price may fall during that time, reducing the value available to CDIV unitholders.
- **The Proposal represents a significant change in the nature of investment to CDIV unitholders.** While CDIV currently returns capital to unitholders as underlying funds are realised (10.3% of NAV in the last 12 months, including the capital call reduction of \$0.16 per unit), PE1 pays a 4% yield on NAV, with excess funds reinvested in new investments.
- **There is no cash alternative available to unitholders.** Although investors in CDIV do not have any liquidity available, the Proposal does not offer CDIV unitholders who would like liquidity the option to choose cash for some or all of their investment.

Therefore, on the basis that the Responsible Entity does not believe the Proposal is in the best interests of investors, the Responsible Entity has not provided access to due diligence. The Responsible Entity remains open to engaging further with Pengana, or other parties, on more favourable terms.

Authorised for release by E&P Investments Limited (ACN 152 367 649, AFSL 410 433), the responsible entity of CD Private Equity Fund IV.