CD PRIVATE EQUITY FUND II

Annual Financial Report

FOR THE YEAR ENDED
31 MARCH 2023

ARSN 162 057 089

RESPONSIBLE ENTITY

E&P

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

Directory

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

CD Private Equity Fund II

(ARSN 162 057 089)

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Stuart Nisbett
Peter Shear
Warwick Keneally

Secretaries

Caroline Purtell

The ASX code is CD2

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Contents

Report to Unitholders

For the year ended 31 March 2023

Dear Unitholders,

On behalf of the Board of the Responsible Entity (**RE**), I am pleased to provide you with the annual report on the performance of CD Private Equity Fund II (**Fund**) for the year ended 31 March 2023 (**FY23**).

Financial performance

Following two years of favourable macroeconomic conditions supporting strong equity markets and private equity, FY23 was a marked contrast. Most notably, inflation, which, at the beginning of FY23 was close to 8% in the US, remained high through the course of the year. At one point later in the year inflation reached a 40-year high of 9.1%, before beginning to moderate. Central banks moved quickly and, in most cases, meaningfully to try to contain inflation and these responses dominated market sentiment, resulting in a highly volatile public equity market, large moves in rates markets, and a decline in valuations for most asset classes. Performance of the Fund's investment in the US Select Private Opportunities Fund II, L.P. (**LP**), the investment vehicle through which the Fund invests in the underlying US private investment funds (**Underlying LPs**), was down marginally during the period, contributing to performance of the Fund on a total return (inclusive of all costs and distributions paid to investors) post-tax Net Tangible Asset (**NTA**) basis of -3.4% for FY23. Longer-term performance has been strong, with the Fund returning 11.0% per annum since inception.

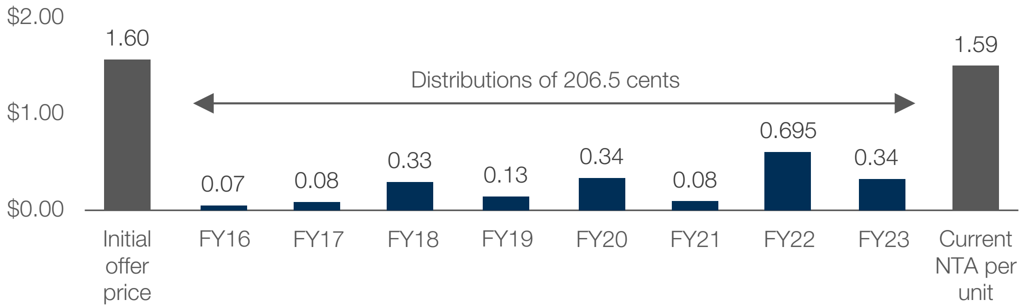
In the context of changeable markets, this year's financial results were pleasing given market conditions. The net loss was $2.4 million or -4.7 cents per Unit, compared with a profit of $22.7 million or 41.5 cents per Unit for the previous financial year (**FY22**). The key components of this result include substantial distributions received ($18.0 million) from the LP and a $1.6 million fair value movement loss in the Fund's investment in the LP, which includes a large unrealised foreign currency translation gain (+$11.5 million) mostly offset by a decline in underlying asset valuations. At 31 March 2023, the Fund had pre-tax net assets of $90.7 million representing $1.73 per Unit and post-tax net assets of $83.4 million representing $1.59 per Unit.

Distributions and capital management

Over FY23, the Fund paid two distributions of 28 cents per Unit and 6 cents per Unit, representing the twelfth and thirteenth distributions from the Fund since its inception. These were paid to Unitholders in November 2022 and March 2023 respectively. The distributions gained through your investment in the Fund are shown in the graphic below, which also indicates the amount of your original investment and the value of net tangible assets per Unit at the end of FY23.

On an absolute return basis, investors who have held units since inception have received distributions totalling 206.5 cents per Unit, which with the current NTA of $1.59 per unit, represents more than 2.25 times the initial $1.60 offer price subscribed by investors.

CD2 Unit Value and Income



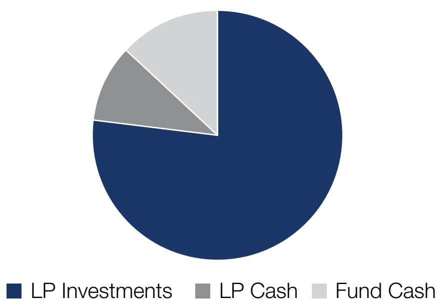
In addition to returning funds to Unitholders via distributions, the Fund continued its on-market buyback of Units until 27 June 2022, buying back 691,292 Units at an average price per unit of $1.43, a 28% discount to NAV, and therefore accretive for remaining Unitholders.

Investment activity

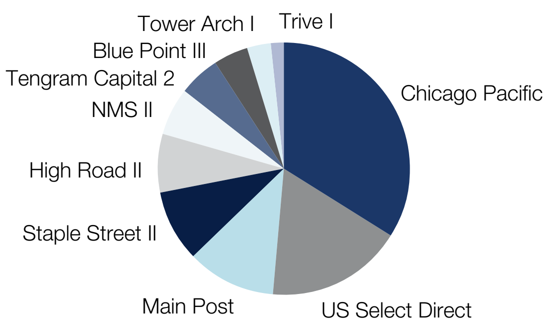
The Fund's investment objectives are to provide Unitholders with exposure to a portfolio of investments in small and mid-market private investment funds and privately held companies, predominantly in the US, to achieve capital growth over a five to ten-year investment horizon.

As at 31 March 2023 the LP remains invested in ten investment funds, having received final distributions from RFE Investment Partners VIII, L.P. (March 2022) and DFW Capital Partners IV L.P. Many of the remaining investments are well progressed, and we anticipate that the Underlying LPs, given their vintage, will be looking to realise these investments over the next few years. The charts below provide a snapshot of how the Fund is invested at 31 March 2023.

Look through investment exposure



LP Investments (funds, excl LP Cash)



Cash Position

As at 31 March 2023, 95.3% of total funds committed to the LP had been called (representing US$81.4 million of commitments). The Fund's proportionate share of the capital called is approximately US$71.7 million (an 87.3% share). During the period, the LP benefitted from 19 distributions, inclusive of returned capital and net of withholding tax, to the LP from underlying funds totalling US$8.9 million. The majority of these distributions were received in the first half of FY23, potentially reflecting the increased uncertainty across markets later in the year.

At period end the potential callable capital from the Underlying LPs in which the Fund's LP invests are estimated to be just under US$12 million. Including cash and the remaining potential callable capital from the Fund, the LP has available USD$10.2 million to cover potential future Underlying LP calls. We note: 1) capital calls from Underlying LPs have tapered significantly over the past two years, with drawdowns from Underlying LPs over FY23 less than US$0.85 million; and 2) there is significant remaining unrealised value in the portfolio to drive future cash distributions. Given the progression of underlying portfolios, and the substantial unrealised gains sitting in several Underlying LPs, the General Partner believes the LP is in a sufficient liquidity position given the cash on hand, the remaining available LP callable capital, and the future cash flow profile of the Underlying LPs.

It is important to note that both the LP, which is controlled by the General Partner (**GP**) (not RE or the Fund), and the Fund are required to hold sufficient capital to meet any future working capital and capital draw-down requirements. The RE does not have control over the decisions made by the GP, including those relating to distributions. As such, the GP determines the prudent amount to distribute after meeting the LP's working capital and draw-down requirements, with the RE doing the same for the Fund.

As at 31 March 2023, there was US$6.2 million in the LP cash account (which is controlled by the GP), and $10.3 million in the Fund's cash account. As above, the LP's cash account is required to be used to meet potential capital calls from Underlying LPs' and future working capital requirements of the LP. In a similar manner, the RE maintains cash buffers within the Fund to ensure the Fund is able to meet all its obligations to pay debts as and when they fall due. This includes its outstanding capital call commitments from the LP, as well as any operating cash flow requirements, including expenses, fees and tax payable from the Fund. The RE does not have control over the GP, so cannot control the timing of distributions from the LP to the Fund. Therefore, it is prudent for the RE to ensure sufficient cash buffers are maintained within the Fund to meet future market uncertainties. There are also US taxes to prudently provide for which remain uncertain until US taxes are finalised and lodged with the Internal Revenue Service each year, typically with a lag of 12-18 months from the end of the US tax year-end.

As it has consistently done since inception the Fund will look to pass through all surplus cash, after taking into account the above considerations, as distributions to Unitholders, which in FY23 resulted in distribution payments totalling 34 cents per Unit.

Market activity and impact on the Fund

For the most part, FY23 was characterised by escalating central bank rates; record high inflation; and an overhanging expectation that the global economy may slip into recession. This was reflected in volatile public markets that responded swiftly to economic data, any indicated and actual policy settings from the US Federal Reserve, and more recently, the failure of several regional US banks and the purchase (effectively a bailout) of global bank Credit Suisse by UBS.

Recent data indicates a continued across-the-board slowing in the private equity market, a trend that commenced in early 2022. High inflation, interest rates, and a degree of economic uncertainty have weighed on the sector, resulting in a strong decrease in both fund capital being raised and deal flow. The economic uncertainty felt through FY23 also resulted in a disparity between what private buyers were willing to pay and what private sellers considered acceptable, despite significant uninvested capital available to the private equity industry. Although, anecdotally this difference appears to be narrowing since the end of FY23. In addition, there appears to be a broadly-held view that inflation is moving slowly in the right direction and that interest rates may not need to move much higher. This sentiment spurred a rally in equity markets into and following year-end, which should ease pressure on the large asset allocators (e.g. pension and endowment funds) and, as equity valuations rise, may spur further activity across the private equity (**PE**) and venture capital space.

It is important to note that the underlying managers remain broadly optimistic about the prospects for their portfolios, but that expectations of a US recession and cost inflation has, in turn, resulted in greater uncertainty in the potential value and realisation timetable for some investments. As flagged in our FY22 letter, holding periods across the industry continue to push out, and the Fund is no exception to this, however, we continue to see positive realisations across the small to middle market PE sector where the Underlying LPs are invested. Notable distributions to the LP were received from RFE Investment Partners VIII, L.P. (full secondary portfolio sale) Chicago Pacific Founders Fund, L.P. (Sage Veterinary Centres), NMS Fund II, L.P. (Anne Arundle Dermatology) and High Road Capital Partners Fund II, L.P. (Radix Wire & Cable). We remind Unitholders that the majority of underlying investments were bought at attractive multiples (well below public markets levels), most investments have grown substantially since acquisition, and despite some negative valuation moves in FY23, we expect will be positioned by underlying managers for attractive exits. Also, some commentators in the private equity markets are of the view that small to mid-sized investments will perform better than larger investments as the more cautious environment is favouring smaller transaction sizes for which private credit remains available. This is far from a guarantee but provides some assurance that choosing to invest the assets of the Fund into this space, with a majority of managers that have historically performed well against their peers and has resulted in strong returns to date, provides some comfort that there is possibly less potential downside risk in the current environment than at the larger end of the market.

Merger proposal and Proposal to change responsible entity

On 5 October 2022, the Responsible Entity of the Fund announced a proposed merger of the four Funds in the CD 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.

Following the end of FY23, on 15 May 2023, E&P Investments Limited (**E&PIL**), in its capacity as responsible entity of the Fund, announced that it would present Unitholders with a proposal to appoint K2 Asset Management Ltd (**K2**) as responsible entity for the Fund, replacing E&PIL. E&PIL selected K2 for this role based on a range of factors, including K2's extensive experience and expertise in the provision of responsible entity and trustee services and their competitive fee proposal and encourages all Unitholders to participate in the vote on this proposal, for which a Unitholder meeting has been scheduled on 19 June 2023.

I would like to thank Unitholders for their continued support and look forward to presenting an update on the Fund and the small-to-mid-market US-based private investment market, in which the Fund is invested, at the upcoming Unitholder meeting.

Yours faithfully,

Stuart Nisbett
Independent Chair of E&P Investments Limited

31 May 2023

Manager’s Report

For the year ended 31 March 2023

The LP made distributions of US$11 million in the September 2022 quarter and US$2.5 million in the December 2022 quarter to all limited partners. CD2’s net total share was US$12.2 million which resulted in the 28 cents per Unit and 6 cents per Unit distribution paid to Unitholders in November 2022 and March 2023. These distributions reflect the lower level of activity across the private equity market in FY23 relative to the prior period, but also the ongoing ability of underlying LPs to realise investments, through what has been an uncertain economic environment.

Valuations across the portfolios have come down over FY23, as broader market multiples have declined, with one of the largest impacts coming from Chicago Pacific Founders Fund listed investment P3 Health Partners, which following the end of FY23 has recovered substantially.

We are pleased to provide you with a summary of the significant capital events that occurred at a partner fund level through FY23, including significant distributions from Chicago Pacific (following the successful partial sale of Sage Veterinary Centres), High Road, and NMS. At 31 March 2023 there were 46 underlying investments remaining across underlying LPs. Over the life of the Fund underlying LPs have made a total of 122 portfolio investments.

Underlying portfolio update

High Road Capital Partners Fund II, L.P. (High Road)

High Road distributed proceeds relating to the sale of Radix Wire & Cable and a small escrow release from the prior sale of portfolio company General Tools & Instruments, resulting in a distribution of US$1.8 million to the LP. High Road called capital to fund two follow-on investments in portfolio companies.

Main Post Growth Capital, L.P. (Main Post)

Main Post 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.

NMS Fund II, L.P. (NMS)

NMS distributed proceeds relating to the prior sale of Anne Arundle Dermatology and the sale of a second portfolio company, partially offset by capital called to fund management fees and partnership expenses, resulting in aggregate distributions of US$1.5 million to the LP.

Chicago Pacific Founders Fund, L.P. (Chicago Pacific)

Chicago Pacific distributed proceeds related to the partial sale of portfolio company Sage Veterinary Centres, resulting in a net distribution of US$4.1 million to the LP. Chicago Pacific also called capital to fund a follow-on investment in a portfolio company.

Staple Street Capital II, L.P. (Staple Street)

Staple Street investment Dominion Voting announced following quarter end that it had settled a defamation suit with Fox Corp that should see the company receiving a substantial payment which we expected to be positive for the net assets of the LP. On 25 May 2023, the Fund announced that the LP had received a distribution relation to this settlement of approximately US $7 million, an excellent outcome for the LP.

Corporate Governance Statement

For the year ended 31 March 2023

Overview

CD Private Equity Fund II (**Fund**) is a listed managed investment scheme whose units are traded on the Australian Securities Exchange **(ASX**). The Fund has no employees, and its day-to-day functions and investment activities are managed by the responsible entity of the Fund, E&P Investments Limited (**Responsible Entity**), and US Select Private Opportunities Fund II, GP LLC, in accordance with the relevant management agreements.

The directors of the Responsible Entity (**Board**) recognise the importance of good corporate governance.

The Fund's corporate governance charter, which incorporates the Fund's policies referred to below (**Corporate Governance Charter**), is designed to ensure the effective management and operation of the Fund and will remain under regular review. The Corporate Governance Charter is available on the Fund's website www.cdfunds.com.au.

A description of the Fund's adopted practices in respect of the eight principles and recommendations from the Fourth Edition of the ASX *Corporate Governance Principles and Recommendations* (**ASX Recommendations**) is set out below. All these practices, unless otherwise stated, were in place throughout the year and to the date of this report.

1. Lay solid foundations for management and oversight

Board roles and responsibilities

The Board is responsible for the overall operation, strategic direction, leadership and integrity of the Fund and, in particular, is responsible for the Fund's growth and success. In meeting its responsibilities, the Board undertakes the following functions:

- providing and implementing the Fund's strategic direction;
- reviewing and overseeing the operation of systems of risk management, ensuring that significant risks facing the Fund are identified, that appropriate control, monitoring and reporting mechanisms are in place and that risk is appropriately dealt with;
- overseeing the integrity of the Fund's accounting and corporate reporting systems, including the external audit;
- ensuring the Board is comprised of individuals who are best able to discharge the responsibilities of directors having regard to the law and the best standards of governance;
- reviewing and overseeing internal compliance and legal regulatory compliance;
- ensuring compliance with the Fund's constitution and with the continuous disclosure requirements of the ASX Listing Rules and the *Corporations Act 2001 (Cth)* (**Corporations Act**);
- overseeing the Fund's process for making timely and balanced disclosures of all material information concerning the Fund; and
- communicating with and protecting the rights and interests of all unitholders.

The Board has established a formal policy which acts as a charter and sets out its functions and responsibilities (**Board Policy**). The Board Policy is set out in section 2 of the Corporate Governance Charter. A review of the Board Policy is conducted annually.

2. Structure the board to add value

Composition of the Board

The Board is structured to maintain a mix of directors from different backgrounds with complementary skills and experience. Details of each director at the date of this report are given in the Directors' Report, including the period in office, skills, experience and expertise relevant to the position of director.

The directors of the Responsible Entity during the 2023 financial year and as at the date of this report are:

- Mr. Stuart Nisbett – Independent, Non-Executive Chairperson (**Chair**)
- Mr. Warwick Keneally – Non-Independent, Executive Director
- Mr. Peter Shear – Independent, Non-Executive Director

The company secretaries of the Responsible Entity during the 2023 financial year and as at the date of this report are:

- Ms. Hannah Chan (resigned 6 June 2022)
- Ms. Caroline Purtell

Having regard to the size of the Fund and the nature of its business, the Board has determined that a Board with three members is the appropriate composition for the Board and will enable it to continue to effectively discharge its responsibilities to the Fund. However, the composition of the Board will be reviewed periodically.

The current Board comprises two independent directors, Stuart Nisbett[1] and Peter Shear, and one non-independent director, Warwick Keneally, with the independent Chair holding the casting vote. The Board, however, has established a compliance committee (**Compliance Committee**) with a majority of external members, who are responsible for monitoring the extent to which the Responsible Entity complies with the Fund's constitution, compliance plan and any relevant regulations. The Compliance Committee must provide a report to the Board at least on a quarterly basis and report to the Australian Securities & Investments Commission (**ASIC**) if it is of the view that the Responsible Entity has not complied with the Fund's constitution, compliance plan or any relevant regulations.

The Fund recognises the ASX Recommendations with respect to establishing remuneration, audit, risk and nomination committees as good corporate governance. However, considering the size of the Fund, the functions that would be performed by these committees are best undertaken by the Board.

The Board will review its view on committees in line with the ASX Recommendations and in light of any changes to the size or structure of the Fund, and if required may establish committees to assist it in carrying out its functions. At that time the Board will adopt a charter for such committees in accordance with the ASX Recommendations and industry best practice.

It is the Board's policy to determine the terms and conditions relating to the appointment and retirement of non-executive directors on a case-by-case basis and in conformity with the requirements of the ASX Listing Rules and the Corporations Act. In accordance with the Corporate Governance Charter, directors are entitled to seek independent advice at the expense of the Fund. Written approval must be obtained from the Chair prior to incurring any expense on behalf of the Fund.

[1] Up until his appointment as a director of the Board, Stuart Nisbett was a member of an investment committee for one of the Responsible Entity's unlisted funds. The Board is of the view that this association does not compromise Stuart Nisbett's independence because the investment committee was dissolved on 23 December 2020 and he ceased to be remunerated for his position on the investment committee prior to his appointment as director.

3. Promote ethical and responsible decision-making

Code of Conduct

The Board has adopted a Code of Conduct set out in Section 5 of the Corporate Governance Charter to define the basic principles of business conduct of the Fund and the Responsible Entity. This Code requires the Fund's personnel to abide by the policies of the Fund and the law. The Code is a set of principles giving direction and reflecting the Fund's approach to business conduct and is not a prescriptive list of rules for business behaviour.

Whistleblower Policy

The Board is subject to a Whistleblowing Policy which is available at eap.com.au/shareholder-centre/corporate-governance.

Anti-Bribery and Corruption Policy

The Board is subject to a Fraud and Corruption Policy which is available at eap.com.au/shareholder-centre/corporate-governance.

Unit Trading Policy

The Board of the Responsible Entity has established a Unit Trading Policy set out in Section 6 of the Corporate Governance Charter to apply to trading in the Fund's units on the ASX. This policy outlines the permissible dealing of the Fund's units while in possession of price sensitive information and applies to all directors of the Responsible Entity.

The Unit Trading Policy imposes restrictions and notification requirements, including the imposition of blackout periods, trading windows and the need to obtain pre-trade approval.

Insider Trading Policy

The Board of the Responsible Entity has established an Insider Trading Policy set out in Section 7 of the Corporate Governance Charter to apply to trading in the Fund's units on the ASX. This policy applies to all directors, executives and employees of the Responsible Entity. All directors, executives and employees of the Responsible Entity must not deal in the Fund's units while in possession of price sensitive information. In addition, the general Unit Trading Policy sets out additional restrictions which apply to directors and executives of the Responsible Entity.

4. Safeguard integrity in financial reporting

Compliance Committee

As a registered managed investment scheme, the Fund has a compliance plan that has been lodged with ASIC. The compliance plan is reviewed comprehensively every year to ensure the way in which the Fund operates protects the rights and interests of unitholders and that major compliance risks are identified and properly managed.

The Responsible Entity has formed a Compliance Committee to ensure the Fund complies with the relevant regulations and its constitution. The committee meets and reports to the Board of the Responsible Entity on a quarterly basis.

The committee is structured with three members, the majority of which are external. Details of the Compliance Committee members are as follows:

Michael Britton (External Member)

Michael is one of two external members of the Compliance Committee. He is a member of the compliance committee for the CD Private Equity Fund Series and the Venture Capital Opportunities Fund. He is also an independent member of Compliance Committees for NorthWest Health Australia (Schemes 2 & 3), Angas Asset Management Fund, Angas Prime and Angas Direct.

Michael has over 41 years of commercial and financial services experience, initially with Boral Limited and culminating in 13 years as General Manager of the corporate businesses of The Trust Company Limited (now part of Perpetual Limited) (**The Trust Company**) where he established the company's reputation as a leader in the delivery of independent responsible entity services. He has represented The Trust Company as a director on the boards of both domestic and offshore operating subsidiary companies and a large number of special purpose companies delivering the responsible entity function in both conventional and stapled, ASX listed and unlisted managed investment schemes. Michael has acted as a Responsible Manager (as recognised by ASIC), a member of committees of inspection in relation to large insolvency administrations and as an independent compliance committee member for substantial investment managers with portfolios of managed investment schemes. He is a recently retired panel member for the Australian Financial Complaints Authority (formerly Financial Ombudsman Service Limited) having served for 9 years.

Currently Michael is an independent director on the boards of the now unlisted Westfield Corporation Limited and Westfield America Management Pty Limited (following the French/Dutch conglomerate, Unibail Rodamco, absorbing the Westfield offshore Shopping Malls). He is sole independent director of a special purpose company involved in high profile securitisation transactions in the mortgage financing industry.

Michael holds degrees in Jurisprudence and Law from the University of New South Wales and is a Graduate Member of the Australian Institute of Company Directors and a Fellow of the Governance Institute of Australia.

Barry Sechos (External Member)

Barry is one of two external members of the Compliance Committee. Barry is a member of the Compliance Committee for the CD Private Equity Fund Series, the Venture Capital Opportunities Fund and the US Masters Residential Property Fund.

Barry is a Director of Sherman Group Pty Limited, a privately-owned investment company, and is responsible for managing the investment, legal, financial and operational affairs of Sherman Group companies. Barry has 38 years' experience in corporate law and finance having spent seven years as a banking and finance lawyer at Allen Allen & Hemsley (Sydney, Singapore and London), and eight years as a Director of EquitiLinkFunds Management and Aberdeen Asset Management Australia. Barry is also a Director of Paddington St Finance Pty Ltd, a specialist structured finance company, See Saw Films, a film production and finance group and winner of the 2011 Academy Award for Best Picture, Phoslock Environmental Technologies Limited, an Australian company listed on the ASX which provides innovative water technologies and engineering solutions to manage nutrients and other water pollutants, Regeneus Limited, an ASX listed biotech company and a Director of the Sherman Centre for Culture and Ideas, a charitable cultural organisation.

Warwick Keneally (Internal Member)

Refer to Information on directors (page 10).

5. Make timely and balanced disclosure

The Board is committed to complying with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules, as well as releasing relevant information to the market and unitholders in a timely and direct manner to promote investor confidence in the Fund and its securities.

The Fund has adopted a Continuous Disclosure Policy set out in Section 4 of the Corporate Governance Charter to ensure the Fund complies with its continuous disclosure requirements under the Corporations Act and ASX Listing Rules. The policy is administered by the Board and monitored by the Compliance Committee.

6. Respect the rights of unitholders

The Fund promotes effective communication with unitholders. The Board has developed a strategy within its Continuous Disclosure Policy to ensure unitholders are informed of all major developments affecting the Fund's performance, governance, activities and state of affairs. Each unitholder is also provided online access to Boardroom Pty Limited (**Registry**) to allow them to receive communications from, and send communication to, the Responsible Entity and the Registry. This also includes using a website to facilitate communication with unitholders.

Information is communicated to unitholders through announcements to ASX, releases to the media and dispatch of financial reports. Unitholders are provided with an opportunity to access such reports and releases electronically; copies of all such ASX announcements are linked to the Fund's website at **cdfunds.com.au**.

These include:

- monthly net asset value estimates
- monthly fund updates
- quarterly fund updates
- half-year report
- annual report
- occasional announcements to the ASX made in compliance with the Fund's continuous disclosure requirements
- occasional correspondence sent to unitholders on matters of significance to the Fund.

The Board encourages full participation of unitholders at the general meetings held by the Fund to ensure a high level of accountability and identification with the Fund's strategy. Unitholders who are unable to attend a general meeting are given the opportunity to provide questions or comments ahead of the meeting and where appropriate, these questions are answered at the meeting.

7. Recognise and manage risk

The Board has accepted the role of identification, assessment, monitoring and managing the significant areas of risk applicable to the Fund and its operations. It has not established a separate committee to deal with these matters because the directors believe the size of the Fund and its operations do not warrant separate committee at this time. The Board also monitors and appraises financial performance, including the approval of annual and half-year financial reports and liaising with the Fund's auditor.

In order to evaluate and continually improve the effectiveness of its risk management and internal control processes, the Responsible Entity has adopted a risk management system as set out in Section 8 of the Corporate Governance Charter (**Risk Management System**) for the Fund. The Board conducts an annual review of the Fund's Risk Management System to satisfy itself that the Risk Management System continues to be sound. The Responsible Entity's Risk Management System is reviewed annually.

The Fund does not have any material exposure to environmental or social risks.

The Board receives a letter half-yearly from the Fund's external auditor regarding their procedures and reporting that the financial records have been properly maintained and the financial statements comply with the Australian accounting standards.

The Responsible Entity provides declarations required by Section 295A of the Corporations Act for all financial periods and confirms that in its opinion the financial records of the Fund have been properly maintained and that the financial statements and accompanying notes comply with the Australian accounting standards and give a true and fair view of the financial position and performance of the Fund, based on its review of the internal control systems, management of risk, the financial statements and the letter from the Fund's external auditor.

Details of the Fund's financial Risk Management System are set out in the notes to the financial statements in the Fund's annual report. The Board does not release to the market any periodic corporate reports which are not audited or reviewed by an external auditor.

8. Remunerate fairly and responsibly

Due to the relatively small size of the Fund and its operations, the Board does not consider it appropriate at this time to establish a formal remuneration committee.

Directors of the Fund are remunerated by the Responsible Entity. In accordance with the Fund's constitution, the Responsible Entity is entitled to a management fee for services rendered. Details of the Fund's related party transactions are disclosed in the notes to financial statements within the Fund's annual report. The Fund's constitution is available to unitholders on the Fund's website.

Directors' Report

For the year ended 31 March 2023

The directors of E&P Investments Limited, the Responsible Entity of the CD Private Equity Fund II (**Fund**), present their report together with the annual financial statements of the Fund for the financial year ended 31 March 2023.

Directors

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

- Stuart Nisbett (Chair)
- Warwick Keneally
- Peter Shear

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

Information on the directors:

Stuart Nisbett

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

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

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

Warwick Keneally

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

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

Peter Shear

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

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

Principal activities and significant changes in nature of activities

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

Distributions

Distributions paid during the financial year were as follows:

	2023	2022
	$	$
Distribution - 34 cents per unit paid on 29 June 2021	**-**	18,764,614
Distribution - 35.5 cents per unit paid on 21 January 2022	**-**	19,198,848
Distribution - 28 cents per unit paid on 25 November 2022	**14,694,144**	-
Distribution - 6 cents per unit paid on 3 March 2023	**3,148,745**	-
	17,842,889	37,963,462

Review and results of operations

The loss for the Fund after providing for income tax amounted to $2,441,739 (31 March 2022: profit of $22,652,782).

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. The LP initially committed capital across 12 underlying private investment funds, which focus on a range of industries including consumer products, healthcare, manufacturing and business services. Following the realisation of two of the underlying private investment funds, the LP's remaining portfolio now consists of ten underlying private investment funds. For the year ended 31 March 2023, these underlying private investment funds made drawdown requests on the LP to fund their investments, management fees and operating expenses. Net drawdown requests made by the underlying private investment funds since inception to the end of the year totalled US$83.6 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 31 March 2023 was US$71.1 million or $106.3 million.

Total comprehensive loss for the year was $2,441,739 (2022: $22,652,782). The key component of this result included a $1,607,346 fair value movement loss (2022: $26,583,490 gain) on the Fund's investment in the LP during the year. As at 31 March 2023, the Fund had net assets of $83,379,498 (2022: $104,653,586), representing $1.59 per unit (2022: $1.97 per unit), after paying a distribution of $0.34 per unit (2022: distribution of $0.695 per unit) to unitholders during the year.

The Fund had a basic and diluted loss per unit of 4.65 cents for the year ended 31 March 2023 (2022: 41.52 cents earnings per unit).

Events subsequent to the reporting period

On 15 May 2023, the Fund announced a proposal to appoint K2 Asset Management Ltd as responsible entity for the Fund, replacing E&P Investments Limited (**Proposal**). The proposal is to be put forward at a Unitholder meeting on 19 June 2023.

Future developments and expected results of operations

The Fund has committed capital to the LP to fund 12 underlying private investment funds and expects to complete its investments as the committed capital is called by the LP. The objective of the Fund is to achieve capital growth over a five to 10 years investment horizon from its exposure to a portfolio of investments in small and mid-market private investment funds and privately held companies predominately focused in the US. Following the realisation of all underlying investments by DFW Capital Partner IV, L.P. and RFE Investment Partners VIII, L.P, the Fund's remaining investments are held with ten underlying private investment funds.

Material business risks

The material business risk associated with the Fund's principal activity relates to market price risk of its interest in the LP, as disclosed in note 10(iv) and note 14(a) of the Notes to the financial statements.

Environmental regulation

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

Other relevant information

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

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

Options

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

Indemnity and insurance

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

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

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

Non-audit services

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

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

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

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

Auditor's independence declaration

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

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

On behalf of the directors

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

31 May 2023

Auditor’s Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Quay Quarter Tower
50 Bridge Street
Sydney, NSW, 2000
Australia

Phone: +61 2 9322 7000
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The Board of Directors
E & P Investments Limited as Responsible Entity for:
CD Private Equity Fund II
Level 32 O’Connell Street
SYDNEY NSW 2000

31 May 2023

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 audit of the financial report of CD Private Equity Fund II for the year ended 31 March 2023, 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 audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Carlo Pasqualini
Partner
Chartered Accountants

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2023

	NOTE	2023 $	2022 $
Investment income			
Interest income		**137,809**	7,834
Foreign exchange gain/(loss)		**313,401**	(191,219)
Fair value movements of equity investments	10	**(1,607,346)**	26,583,490
Total investment income		**(1,156,136)**	26,400,105
Expenses			
Management and administration fees	16	**(514,860)**	(559,915)
Listing fees		**(57,209)**	(50,041)
Custody fees		**(22,157)**	(22,702)
Registry fees		**(35,168)**	(43,526)
Legal and professional fees		**(298,053)**	(167,615)
Transaction costs		**(272,947)**	–
Other expenses		**(18,602)**	(4,829)
Total expenses		**(1,218,996)**	(848,628)
(Loss)/Profit before income tax expense		**(2,375,132)**	25,551,477
Income tax expense	4	**(66,607)**	(2,898,695)
(Loss)/Profit after income tax expense for the year		**(2,441,739)**	22,652,782
Other comprehensive income for the year, net of tax		**–**	–
Total comprehensive (loss)/income for the year		**(2,441,739)**	22,652,782

	NOTE	CENTS	CENTS
Basic (loss)/earnings per unit	5	**(4.65)**	41.52
Diluted (loss)/earnings per unit	5	**(4.65)**	41.52

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

Statement of Financial Position

As at 31 March 2023

	NOTE	2023 $	2022 $
Assets			
Current assets			
Cash and cash equivalents	7	**10,328,531**	11,515,075
Receivables	9	**31,893**	26,865
Total current assets		**10,360,424**	11,541,940
Non-current assets			
Other financial assets	10	**80,567,573**	100,526,700
Total non-current assets		**80,567,573**	100,526,700
Total assets		**90,927,997**	112,068,640
Liabilities			
Current liabilities			
Trade and other payables	11	**179,154**	188,064
Current tax payable		**1,303,691**	661,428
Total current liabilities		**1,482,845**	849,492
Non-current liabilities			
Deferred tax	12	**6,065,654**	6,565,562
Total non-current liabilities		**6,065,654**	6,565,562
Total liabilities		**7,548,499**	7,415,054
Net assets		**83,379,498**	104,653,586
Equity			
Unit capital	6	**82,891,568**	83,881,028
Retained earnings		**487,930**	20,772,558
Total equity		**83,379,498**	104,653,586

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

Statement of Changes in Equity

For the year ended 31 March 2023

	UNIT CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
	$	$	$
Balance at 1 April 2021	87,096,476	36,083,238	123,179,714
Profit after income tax expense for the year	–	22,652,782	22,652,782
Other comprehensive income for the year, net of tax	–	–	–
Total comprehensive income for the year	–	22,652,782	22,652,782
Transactions with unitholders in their capacity as unitholders:			
Unit buy-backs (note 6)	(3,207,230)	–	(3,207,230)
Buy-back costs (note 6)	(8,218)	–	(8,218)
Distributions paid (note 13)	–	(37,963,462)	(37,963,462)
Balance at 31 March 2022	**83,881,028**	**20,772,558**	**104,653,586**

	UNIT CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
	$	$	$
Balance at 1 April 2022	83,881,028	20,772,558	104,653,586
Loss after income tax expense for the year	–	(2,441,739)	(2,441,739)
Other comprehensive income for the year, net of tax	–	–	–
Total comprehensive loss for the year	–	(2,441,739)	(2,441,739)
Transactions with unitholders in their capacity as unitholders:			
Unit buy-backs (note 6)	(986,930)	–	(986,930)
Buy-back costs (note 6)	(2,530)	–	(2,530)
Distributions paid (note 13)	–	(17,842,889)	(17,842,889)
Balance at 31 March 2023	**82,891,568**	**487,930**	**83,379,498**

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

Statement of Cash Flows

For the year ended 31 March 2023

	NOTE	2023 $	2022 $
Cash flows from operating activities			
Interest income received		**128,909**	7,770
Net payments to suppliers		**(1,187,786)**	(921,593)
Net income tax paid		**(382,366)**	–
Net cash used in operating activities	8	**(1,441,243)**	(913,823)
Cash flows from investing activities			
Receipt from distributions		**17,972,204**	40,628,341
Net cash from investing activities		**17,972,204**	40,628,341
Cash flows from financing activities			
Payment of buy-back costs		**(2,529)**	(8,218)
Payments for unit buy-backs		**(1,023,177)**	(3,170,984)
Payment for distributions		**(17,842,889)**	(37,963,458)
Net cash used in financing activities		**(18,868,595)**	(41,142,660)
Net decrease in cash and cash equivalents		**(2,337,634)**	(1,428,142)
Cash and cash equivalents at the beginning of the financial year		**11,515,075**	12,876,566
Effects of exchange rate changes on cash and cash equivalents		**1,151,090**	66,651
Cash and cash equivalents at the end of the financial year	7	**10,328,531**	11,515,075

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

Notes to the Financial Statements

31 March 2023

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.

(i) Basis of preparation

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

(ii) Statement of compliance

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

The financial statements were authorised for issue by the directors on 31 May 2023. For the purposes of preparing the financial statements, the Fund is a for-profit entity.

(iii) Adoption of new and revised Accounting Standards

The Fund has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to their operations and effective for the current year. No new or revised Standards and Interpretations effective for the current year are considered to have a material impact on the Fund.

(iv) Accounting Standards and Interpretations issued but not yet effective

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. The potential impact of the new or revised Standards and Interpretations for reporting periods on or after 1 April 2023 is not expected to be material to the Fund. The potential impact of the new or revised Standards and Interpretations for reporting periods on or after 1 April 2024 is yet to be determined.

- *AASB 2021-2 'Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates'*

This standard is applicable to annual reporting periods beginning on or after 1 April 2023.

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

These standards are applicable to annual reporting periods beginning on or after 1 April 2024.

2. Summary of significant accounting policies

The following accounting policies have been adopted in the preparation and presentation of the financial report.

a) Foreign currencies

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

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

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

b) Financial instruments

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

(i) Financial assets

The Fund's financial assets comprise of cash and cash equivalents, receivables and equity instrument at fair value (an interest in a Limited Partnership).

Financial assets are initially measured at fair value, except for trade receivables with no significant financing component which are measured at transaction price.

All recognised financial assets are measured subsequently in their entirety either at amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

1. where a financial asset is held within a business model for the objective to collect contractual cash flows; and

2. contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (**FVTOCI**):

1. where a financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
2. contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (**FVTPL**).

Despite the foregoing, the Fund may make the following irrevocable election/designation at initial recognition of a financial asset:

1. the Fund may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
2. the Fund may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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

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

(ii) Derecognition

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

(iii) Fair value

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

c) Interest in Limited Partnership

The Fund has entered into a partnership arrangement with Cordish Private Ventures, with a primary strategy of investing in US small-to-mid-market private investment funds. The partnership has been structured through a limited partnership vehicle – US Select Private Opportunities Fund II, L.P. **(LP)**, in which the Fund has an 87.3% interest. The interest held by the Fund is regarded as a financial asset which is recorded at fair value (refer to note 2(b)(iii) for the fair value valuation basis adopted in respect of the partnership interest held). Subsequent changes in fair value are recognised in profit or loss.

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

d) Cash and cash equivalents

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

e) Receivables

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

f) Taxes

(i) Income tax

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

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

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

(ii) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Where fees are stated to be exclusive of GST and GST is payable on any fee, the fee will be increased by an amount equal to the GST payable.

Cash flows are included in the Statement of Cash Flows on a gross basis, except for the GST component of cash flows arising from investing and financing activities which are disclosed as operating cash flows.

The Fund qualifies for reduced input tax credits at a minimum rate of 55%.

g) Interest income

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

h) Provisions

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

i) Trade and other payables

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

j) Earnings per unit

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

k) Unit capital

(i) Ordinary units

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

(ii) Distributions to unitholders

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

l) Critical accounting estimates and judgements

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

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

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

3. Operating segment

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

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

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

4. Income tax expense

	2023	2022
	$	$
Income tax expense		
Deferred tax:		
– In respect of current year	**66,607**	2,898,695
Aggregate income tax expense	**66,607**	2,898,695
Numerical reconciliation of income tax expense and tax at the statutory rate		
(Loss)/Profit before income tax expense	**(2,375,132)**	25,551,477
Tax at the statutory tax rate of 30%	**(712,540)**	7,665,443
Tax effect of differences between accounting profit and taxable income:		
– Income and expenditure of Australian trust not subject to tax in Australia	**712,540**	(7,665,443)
– Fair value movement likely to be subject to USA taxation	**66,607**	2,898,695
Income tax expense	**66,607**	2,898,695

5. Earnings per unit

	2023	2022
	$	$
(Loss)/Profit after income tax	**(2,441,739)**	22,652,782

	NUMBER	NUMBER
Weighted average number of ordinary units used in calculating basic earnings per unit	**52,558,879**	54,563,008
Weighted average number of ordinary units used in calculating diluted earnings per unit	**52,558,879**	54,563,008

	CENTS	CENTS
Basic (loss)/earnings per unit	**(4.65)**	41.52
Diluted (loss)/earnings per unit	**(4.65)**	41.52

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

6. Equity – unit capital

	2023	2022	2023	2022
	UNITS	UNITS	$	$
Ordinary units – fully paid	**52,479,086**	53,170,378	**82,891,568**	83,881,028

Movements in ordinary unit capital

DETAILS	DATE	UNITS	$
Balance	1 April 2021	55,190,040	87,096,476
Unit buy-backs		(2,019,662)	(3,207,230)
Buy-back costs		–	(8,218)
Balance	31 March 2022	53,170,378	83,881,028
Unit buy-backs		(691,292)	(986,930)
Buy-back costs		–	(2,530)
Balance	**31 March 2023**	**52,479,086**	**82,891,568**

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 buy-back program ended on 27 June 2022.

Capital management

The Fund manages its capital to ensure it will be able to continue as a going concern while maximising the return to unitholders. The capital structure of the Fund consists of issued capital amounting to $82,891,568. The Fund is not subject to any externally imposed capital requirements.

7. Current assets – cash and cash equivalents

	2023	2022
	$	$
Cash at bank	**10,328,531**	11,515,075

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

8. Reconciliation of profit/(loss) after income tax to net cash used in operating activities

	2023	2022
	$	$
(Loss)/Profit after income tax expense for the year	**(2,441,739)**	22,652,782
Adjustments for:		
Fair value movements of equity investments	**1,607,348**	(26,583,490)
Net foreign exchange (gain)/loss	**(1,118,648)**	141,866
US tax withholding	**347,133**	957,409
Change in operating assets and liabilities:		
– (Increase) in receivables	**(5,028)**	(3,088)
– Decrease in current tax assets	**–**	340,444
– Increase/(decrease) in payables	**27,336**	(69,941)
– Increase in current tax liability	**642,263**	661,428
– (Decrease)/increase in deferred tax liability	**(499,908)**	988,767
Net cash used in operating activities	**(1,441,243)**	(913,823)

9. Current assets – receivables

	2023	2022
	$	$
Interest receivable	**9,316**	416
GST receivable	**11,550**	15,753
Prepayments	**11,027**	10,696
	31,893	26,865

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

10. Non-current assets – other financial assets

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

	2023	2022
	$	$
US Select Private Opportunities Fund II, LP (LP)	**80,567,573**	100,526,700

(ii) Reconciliation:

	2023	2022
	$	$
Balance at the beginning of the year	**100,526,700**	115,737,477
Movement in fair value through profit or loss*	**(1,607,346)**	26,583,490
Distributions received from LP^	**(18,351,781)**	(41,794,267)
Balance at the end of the year	**80,567,573**	100,526,700

* Included in the 'movement in fair value' amount of $1,607,346 loss (2022: $26,583,490 gain) is an unrealised foreign exchange translation gain component of $11,413,713 (2022: $1,972,164). 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, totalling $1,843,708 (2022: $2,034,613) (refer to note 16).

^ Net distributions received from the LP include offsetting of the Fund's US tax obligations of $28,325 (US$20,000) (2022: $957,409 (US$731,053)) 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 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.

The Fund's 87.3% interest in US Select Private Opportunities Fund II, L.P. at 31 March 2023 is represented by its proportionate interest in the LP's assets and liabilities as follows:

	2023	2022
	$	$
Cash	**8,041,864**	15,736,650
Investment in US private investment funds recorded at fair value:		
Blue Point Capital Partners III, LP	**2,942,728**	2,671,978
Chicago Pacific Founders Fund, LP	**24,192,651**	35,060,558
High Road Capital Partners Fund II, LP	**4,789,475**	5,757,202
Main Post Growth Capital, LP	**9,722,329**	8,571,763
NMS Fund II, LP	**4,434,927**	3,922,007
Staple Street Capital II, LP	**7,566,085**	6,243,112
Tengram Capital Partners Gen 2 Fund	**4,377,437**	4,421,129
Tower Arch Partners I, LP	**2,366,937**	2,380,443
Trive Capital Fund I, LP	**863,131**	566,148
US Select Direct Private Equity Fund (US), LP	**11,212,982**	12,816,963
Other assets	**57,027**	1,592,412
Other receivables	**–**	786,335
Net assets*	**80,567,573**	100,526,700

* Included in the net assets of $80,567,573 (2022: $100,526,700) are investments in US private investment funds of $72,468,682 (2022: $82,411,303).

(iv) Valuation

The Fund has adopted its established valuation basis as described below to determine fair value of the Fund's equity investment in the LP.

Valuation technique adopted
The fair value of the Fund's interest in the LP is determined using a 'proportionate' value method based on the Fund's 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 are based on the fair values of the underlying investment funds at 31 December 2022 adjusted for any material changes to those valuations to reflect movements to 31 March 2023, including foreign exchange translation impacts arising from translating the USD denominated interest in the LP to AUD at each balance date.

Refer to note 14 for Market Risk sensitivity analysis.

Investment risks
As noted above, the LP has invested in underlying private investment funds in the US market who have in turn invested in a portfolio of private equity investments. Because of the absence of any liquid trading market for these types of investments, it may take longer to liquidate these investments than would be the case for marketable securities and accordingly the value obtained on realisation may differ to the estimated fair values at balance date. As there are no directly observable prices, the fair values assigned by the investment funds to each investment are based 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 note 12).

(v) Capital commitments

As at 31 March 2023, the Fund has made capital commitments totalling US$74.6 million to the LP, of which US$71.1 million has been called at balance date.

As at 31 March 2023, the Fund has uncalled capital commitments of US$3.5 million (or $5.2 million) outstanding to the LP. The capital commitments can be called at any time in the future.

The uncalled capital commitments referred to above were converted at the AUD:USD year-end exchange rate of 0.6685.

11. Current liabilities – trade and other payables

	2023	2022
	$	$
Accrued liabilities	**177,433**	150,122
Unsettled buy-backs	**–**	36,247
Other payables	**1,721**	1,695
	179,154	188,064

Refer to note 14 for further information on financial instruments.

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

12. Non-current liabilities – deferred tax

	2023	2022
	$	$
Deferred tax liability	**6,065,654**	6,565,562

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

13. Equity – distributions

Distributions paid during the financial year were as follows:

	2023	2022
	$	$
Distribution - 34 cents per unit paid on 29 June 2021	**–**	18,764,614
Distribution - 35.5 cents per unit paid on 21 January 2022	**–**	19,198,848
Distribution - 28 cents per unit paid on 25 November 2022	**14,694,144**	–
Distribution - 6 cents per unit paid on 3 March 2023	**3,148,745**	–
	17,842,889	37,963,462

14. Financial instruments

Financial risk management objectives

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

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

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

a) Market risk

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

(i) Foreign exchange risk

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

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

The table below details the carrying amounts of the Fund's foreign exchange risk as at the end of the reporting period. This represents the Australian dollar exposure, converted at an exchange rate of 0.6685.

	ASSETS		LIABILITIES	
	2023	2022	2023	2022
	$	$	$	$
Cash and cash equivalents	**7,478,388**	8,555,664	**–**	–
Receivables	**122**	143	**–**	–
Financial assets (equity investments)	**80,567,573**	100,526,700	**–**	–
	88,046,083	109,082,507	**–**	–

Sensitivity analysis

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

The Fund considers a 10% movement in the AUD against USD as at 31 March 2023 to be a reasonable possibility at the end of the reporting period. The impact of the strengthening and weakening of AUD against USD in profit or loss and equity is shown by the amounts below as it relates to cash and cash equivalents, equity investments and trade and other payables. This analysis assumes that all other variables remain constant.

	AUD STRENGTHENED			AUD WEAKENED		
2023	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
Cash and cash equivalents	10%	(679,853)	(679,853)	(10%)	830,932	830,932
Receivables	10%	(11)	(11)	(10%)	14	14
Equity Investments	10%	(7,324,325)	(7,324,325)	(10%)	8,951,953	8,951,953
		(8,004,189)	**(8,004,189)**		**9,782,899**	**9,782,899**

	AUD STRENGTHENED			AUD WEAKENED		
2022	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
Cash and cash equivalents	10%	(777,788)	(777,788)	(10%)	950,629	950,629
Receivables	10%	(13)	(13)	(10%)	16	16
Equity Investments	10%	(9,138,791)	(9,138,791)	(10%)	11,169,633	11,169,633
Current tax payable	10%	60,130	60,130	(10%)	(73,492)	(73,492)
		(9,856,462)	(9,856,462)		12,046,786	12,046,786

(ii) Market price risk

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

Sensitivity analysis

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

	AVERAGE PRICE INCREASE			AVERAGE PRICE DECREASE		
2023	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
Equity investments (refer note 10 (iii))	**10%**	**7,246,868**	**7,246,868**	**(10%)**	**(7,246,868)**	**(7,246,868)**

	AVERAGE PRICE INCREASE			AVERAGE PRICE DECREASE		
2022	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	% CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
Equity investments (refer note 10 (iii))	10%	8,241,130	8,241,130	(10%)	(8,241,130)	(8,241,130)

(iii) Interest rate risk

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

Sensitivity analysis

The Fund considers a 200 basis point (2022: 50 basis point) increase or decrease to be a reasonably possible change in interest rates. The impact of a 200 basis point movement in interest rates on profit or loss and equity is shown in the table below:

	BASIS POINTS INCREASE			BASIS POINTS DECREASE		
2023	BASIS POINTS CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	BASIS POINTS CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
Variable rate bank deposits	**200**	**206,571**	**206,571**	**(200)**	**(206,571)**	**(206,571)**

	BASIS POINTS INCREASE			BASIS POINTS DECREASE		
2022	BASIS POINTS CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY	BASIS POINTS CHANGE	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
Variable rate bank deposits	50	57,575	57,575	(50)	(57,575)	(57,575)

b) Credit risk

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

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

	2023	2022
	$	$
Summary of exposure		
Cash and cash equivalents	**10,328,531**	11,515,075
GST receivable	**11,550**	15,753
Interest receivable	**9,316**	416
	10,349,397	11,531,244

c) Liquidity risk

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

The Fund's liquidity primarily comprises cash at bank totalling $10,328,531 at 31 March 2023 which is held to cover its day-to-day running costs and expenditures and to fund its capital commitments to the LP which total $5,222,478 at balance date.

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

	LESS THAN 12 MONTHS	AT CALL	REMAINING CONTRACTUAL MATURITIES
2023	$	$	$
Non-derivatives			
Non-interest bearing			
Trade and other payables	179,154	–	179,154
Capital commitments*	–	5,222,478	5,222,478
Total non-derivatives	**179,154**	**5,222,478**	**5,401,632**

	LESS THAN 12 MONTHS	AT CALL	REMAINING CONTRACTUAL MATURITIES
2022	$	$	$
Non-derivatives			
Non-interest bearing			
Trade and other payables	188,064	–	188,064
Capital commitments*	–	4,666,168	4,666,168
Total non-derivatives	**188,064**	**4,666,168**	**4,854,232**

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

15. Fair value measurement

Fair value

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

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

- Level 1 - Quoted prices (unadjusted) in active markets for identical 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
2023	$	$	$	$
Financial assets carried at fair value				
Other financial assets – equity investment constituting interest in US Select Private Opportunities Fund II, LP	–	–	80,567,573	80,567,573
Total assets	**–**	**–**	**80,567,573**	**80,567,573**

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
2022	$	$	$	$
Financial assets carried at fair value				
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

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

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

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

16. Related party disclosures

Key management personnel

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

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

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

	2023	2022
Warwick Keneally	**7,463**	7,463

There were no movements in the directors' holdings during the year.

Related party investments in the scheme

The Responsible Entity or its associates does not hold any investments in the scheme.

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 year ended 31 March 2023 was $374,957 (2022: $418,900), exclusive of GST. There were no outstanding management fees as at 31 March 2023 (2022: 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 year ended 31 March 2023 were $120,000 (2022: $120,000), 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 fee arrangement ceased in February 2023. The total fees paid or payable during the year amounted to $2,111,922 (US$1,445,957) (2022: $2,330,599 (US$1,723,358)). The Fund's interest equates to $1,843,708 (2022: $2,034,613). This fee is recorded in the books of the LP.

US Select Direct Private Equity Fund (US), LP

At balance date, the Fund's share of the LP's investment in US Select Direct Private Equity Fund (US), LP was $11,212,982 (US$7,495,878) (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 year ended 31 March 2023 amounted to $nil (US$nil) (2022: $13,968 (US$10,329)). The Fund's 87.3% interest equates to $nil (US$nil) (2022: $12,194 (US$9,017)).

Recharges paid to a related entity

To avoid suppliers receiving multiple payments, E&P Operations Pty Limited, a related entity to the Responsible Entity, makes a single payment to certain suppliers, and recharges the Fund its share at cost. There is no mark-up or charge to the Fund for being provided this service, the Fund only incurs the costs directly attributable to the work performed for it by the supplier, as if it had contracted with that provider individually.

17. Remuneration of auditors

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

	2023	2022
	$	$
Audit services – Deloitte Touche Tohmatsu		
Audit or review of the financial statements	**69,000**	66,200
Other assurance services	**26,850**	–
Other services – Deloitte Touche Tohmatsu		
Taxation services	**25,209**	8,500
	121,059	74,700
Other Audit Firms – Deloitte Tax LLP		
Taxation services	**65,562**	57,362

18. Capital commitments

Other than the capital commitments disclosed in note 10(v) to the financial statements, the Fund does not have any other capital commitments outstanding for the year ended 31 March 2023.

19. Contingent liabilities

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

20. Events after the reporting period

On 15 May 2023, the Fund announced a proposal to appoint K2 Asset Management Ltd as responsible entity for the Fund, replacing E&P Investments Limited (**Proposal**). The proposal is to be put forward at a Unitholder meeting on 19 June 2023.

No other matter or circumstance has arisen since 31 March 2023 that has significantly affected, or may significantly affect the Fund's operations, the results of those operations, or the Fund's state of affairs in future financial years.

Directors' Declaration

For the year ended 31 March 2023

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

- the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and the Corporations Regulations 2001;
- the attached financial statements are in compliance with International Financial Reporting Standards, as stated in the notes to the financial statements;
- the attached financial statements and notes give a true and fair view of the Fund's financial position as at 31 March 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors of the Responsible Entity

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

31 May 2023

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

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

Opinion

We have audited the financial report of CD Private Equity Fund II, (the "Fund") which comprises the statement of financial position as at 31 March 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- Giving a true and fair view of the Fund's financial position as at 31 March 2023 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Fair Value of Investment in Limited Partnership (LP) As at 31 March 2023 the Fund's fair value of its investment in the LP was $80,567,573 as disclosed in Note 10. The basis of valuation of the Fund's investment in the LP is disclosed in Note 10(iv). Significant estimation uncertainty is inherent in the determination of the fair value of the investment in the LP due to the fact that: a) the underlying investments held by the US investment funds in which the LP has an interest are generally illiquid in nature, and their valuation is based on unobservable inputs which are subject to significant estimation judgement by management of the US investment funds; and b) there may be a time lag of up to three months between the Fund's reporting date and the date of the most recent reported net assets of the US investment funds.	Our procedures included, but were not limited to: • Obtaining an understanding of the basis of valuation and key processes adopted by management; • Obtaining the most recent audited financial statements of the underlying investment funds (as at 31 December 2022) and reviewing the consistency of the accounting policy adopted for fair values of the investments; • Assessing the independence, competence and objectivity of the auditing firms of the underlying investment funds and reviewing the content of their audit opinions issued; • Where available as at 31 March 2023, obtaining from management the most recent unaudited management financial information of the underlying investment funds and agreeing the quantum of any material fair value movements from the date of the latest audited financial information; and • For investments for which no unaudited management financial information was available at 31 March 2023, with the assistance of our valuation specialists, we performed procedures to determine whether there were any indicators of material fair value movements in those funds from the date of the latest audited financial information. We also assessed the appropriateness of the disclosures in Notes 2(c), 2(l) and Note 10 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Fund's annual report for the year ended 31 March 2023 but does not include the financial report and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Deloitte.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Carlo Pasqualini
Partner
Chartered Accountants
Sydney, 31 May 2023

Unitholder Information

As at 30 April 2023

Distribution of unitholders

52,479,086 fully paid ordinary units on issue are held by 1,180 unitholders.

CATEGORY (SIZE OF HOLDING)	NUMBER OF UNITHOLDERS	%
1 to 1,000	61	0.05
1,001 to 5,000	181	1.07
5,001 to 10,000	218	3.16
10,001 to 100,000	669	35.75
100,001 and over	51	59.98
Total	**1,180**	**100.00**
Holding less than a marketable parcel	**31**	

Top 20 largest holders of units

	NUMBER OF UNITS HELD	PERCENTAGE OF TOTAL (%)
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C>	12,726,398	24.25
J P Morgan Nominees Australia Pty Limited	7,510,399	14.31
Ocean Capital Pty Limited	807,243	1.54
A B Dixon Pty Ltd <A B Dixon Family A/C>	718,800	1.37
Citicorp Nominees Pty Limited	661,585	1.26
Mr Orange Pty Limited <Mr White Pension Fund A/C>	529,739	1.01
Mr Adrian Lobo	476,074	0.91
Mr Richard Philip Wilkins	470,000	0.90
Benjamin Hornigold Ltd	377,068	0.72
Netwealth Investments Limited <Wrap Services A/C>	366,842	0.70
Perpetual Corporate Trust Ltd <Affluence Lic Fund>	361,868	0.69
Ms Snezana Bowden	300,000	0.57
Katdar Pty Ltd <Dixon Comply Pen Fund A/C>	300,000	0.57
HSBC Custody Nominees (Australia) Limited - A/C 2	270,679	0.52
AHD Brown Pty Ltd <A Brown Pension Fund A/C>	266,220	0.51
Luja Pty Ltd <Christowel Super Fund A/C>	265,000	0.50
M & S Bowden Superannuation Pty Ltd <M & S Bowden Super Fund A/C>	233,340	0.44
R J Clarke Super Pty Ltd <R J Clarke Super Fund A/C>	220,137	0.42
Gruen Superannuation Pty Ltd <Gruen Superannuation Fnd A/C>	219,944	0.42
A Thousand Paperclips Pty Ltd <& You'll Make Profit S/F A/C>	212,996	0.41
Total	**27,294,332**	**52.01**

Substantial unitholders

The following holders are registered by the Fund as a substantial holder, having declared a relevant interest, in accordance with the Corporations Act, in the Units below:

NAME	UNITS	% OF UNITS
Investment Administration Services Pty Ltd (IAS) *^	3,573,553 Units	6.47%

* Note: Investment Administration Services Pty Ltd's unit holdings are held by JP Morgan as nominee for IAS Managed Discretionary Account clients.

^ Date of last substantial holder notice lodged on 16 September 2021

Voting rights

Each ordinary unit is entitled to one vote when a poll is called, otherwise each unitholder present at a meeting or by proxy has one vote on a show of hands.

Restricted securities

There are no restricted securities issued by the Fund.

Transactions

There were no transactions in securities during the reporting period.

Limited Partnership Agreement

U.S. Select Private Opportunities Fund II GP, LLC (**Investment Manager**), Cordish Private Ventures and E&P Investments Limited, in its capacity as Responsible Entity of CD Private Equity Fund II **(Fund**), have established an exempted limited partnership, US Select Private Opportunities Fund II, L.P. (**LP**), in the Cayman Islands for the purposes of acquiring, directly or indirectly, and dealing with, interests in private investment funds and interests in privately held companies.

Under the terms of the agreement, the Fund, as a Limited Partner, has agreed to make capital contributions towards the acquisition of investments, as directed by the Investment Manager, up to a maximum contribution amount. The limited partners are permitted to satisfy all, or any, of their outstanding capital commitment by making an in-kind contribution of a portfolio investment with the written consent of the other partners.

Under the LP Agreement, it is an event of default to fail to make a capital contribution when due and different consequences may result from an event of default, including (among others) interest being payable on overdue amounts, loss of voting rights or, at the discretion of the Investment Manager, forfeiture of distributions and a 50% reduction in the defaulting partner's capital account (with such amounts to be distributed to the remaining partners in their pro rata proportions).

The Investment Manager must ensure that distributions, if any, are made on an annual basis (or more frequently, if so determined by the Investment Manager) in connection with a disposal, interest or other income realised from an investment or income from temporary investments.

In consideration for managing the LP and its investments, the Investment Manager is entitled to an investment management fee of an amount equal to 2% of the aggregate capital commitments made by the partners to the LP which will be payable quarterly in advance for a period of 10 years. This fee arrangement ceased in February 2023 following the expiry of the 10-year period.

Cordish Private Ventures and the Fund are prohibited from withdrawing from the LP or otherwise disposing of their interest in the LP in any circumstances without the consent of the Investment Manager. The Investment Manager in turn must obtain the consent of the other limited partner prior to effecting such disposal or transfer. The Investment Manager may not withdraw from the LP, resign as general partner or otherwise dispose of its interest in the LP in any circumstances without the consent of the limited partners.

The LP will be dissolved upon the occurrence of certain termination events, which include (among others), the last business day of the fiscal year in which all investments have been disposed of or where the LP is no longer subject to any funding obligations in respect of investments or management fees. The Investment Manager may terminate or wind up the LP with the consent of all limited partners. As a limited partner, the Responsible Entity does not have the ability to amend the LP Agreement in a material respect, or require early termination or wind up of the LP without the consent of all other partners.