



2023 Q3

QUARTERLY UPDATE

ASX RELEASE DATE: 3 NOVEMBER 2023



MARKET UPDATE

The third quarter of calendar year 2023 began with increased consumer optimism encouraged through the belief that the Fed was on the verge of lowering rates in the US, creating bullish equity markets in the first half of the quarter. As we moved through the quarter it continued to seem increasingly likely that a recession would not take place, as the US labour market demonstrated strength while inflation (for the most part) remained on a downward trend. However, all is not as it initially seemed – at the close of the quarter inflation remained stubbornly above the Fed's 2% desired target, the aggressive rate cuts pencilled for 2024 are now unlikely, long-term Treasury yields have reached new highs and economists are preparing for a more significant US economic slowdown.

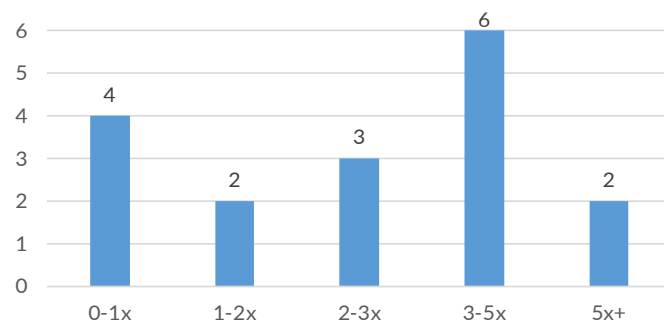
As it relates to US Private Equity (PE), the quarter was subdued for exit activity, down 34% from what was an unsustainably high peak in Q2 2021, and down 7.2% from Q2 2023. Economic conditions continue to contribute to a disparity between sellers and buyers, and over a continued period this runs the risk of disrupting the cash flow cycle into fundraising and fund deployment. Fortunately, it appears that secondary and continuation funds are entering the market and are able to help with what could otherwise be a pileup of PE assets that have not yet been exited and Funds that are nearing the end of their term life.

As was highlighted in the Q2 2023 report, the leverage buy out (LBO) market contracted due to traditional banks withdrawing from the market in the aftermath of Silicone Valley Bank's collapse. At the end of Q2 and into Q3 2023, banks have re-entered the space and are filling their role as lenders of larger LBO transactions, however private credit is continuing to dominate the sub-\$1 billion market and are a welcome funding resource in the market. Looking more broadly, equities which are typically sensitive to changing interest rates behaved as expected, with utilities and real-estate recording a weak quarter, while energy stocks rose sharply following the price of oil rising in September to year-long highs. This translated to the S&P 500 down 3.3% for the quarter, the Russell 2000 small-cap market down 5.1% for the quarter, and the Russell Microcap Index down 7.9% for the quarter.

FUND SERIES UPDATE

Despite the harder exit environment, we are pleased to report that the CD Fund Series (CD1, CD2, CD3 and CD4) have seen a total of **17 realisations year to date**, compared to 14 for the entire 2022 calendar year. Of these 17 exits, **13 of these were profitable**, and **eight** investments returned **more than 3 times invested capital**. Additionally, across all exits the median gross multiple on invested capital⁵ (MOIC) was **0.8 times more** than where these investments were held as of 31 December 2022.

FUND SERIES 2023 REALISATIONS: GROSS MOIC¹



At quarter end, the Funds had received all of the 30 June 2023 portfolio valuations, and we are pleased with the results in such a tough macroeconomic environment. As is well known, the rising costs of raw materials, salaries and wages and the cost of borrowing has been felt across the portfolio, however it is estimated that approximately two thirds of the remaining portfolio companies generated positive revenue growth in HY1 2023 compared to the prior half year, and the overall CD Fund Series **portfolio appreciated by 2.0% during the first half of the year**.

Looking forward, we will begin to receive the 30 September 2023 reports from mid-November from the underlying managers. As we prepare the 2024 Half-Year Financial Report for each of the Funds (anticipated release being the end of November), any valuations of significance that are received in time will be incorporated accordingly.

As always, unitholders are encouraged to reach out to our Investor Relations team.

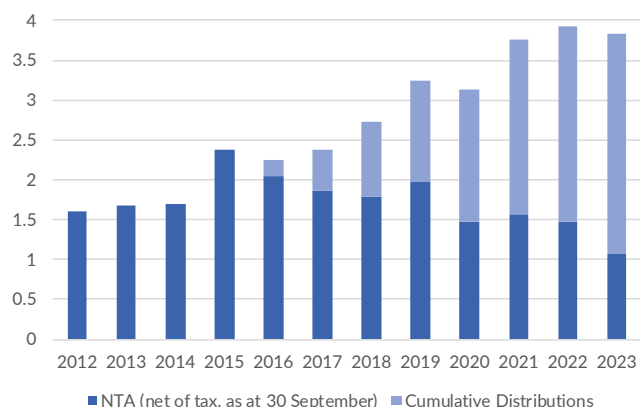
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QUARTERLY INVESTMENT ACTIVITY: FUND 1 (ASX: CD1)

During Q3 2023, the LP did not make payment of any capital calls and did not receive distributions from any underlying managers. In September 2023, the LP received notice of a capital call to fund management fees and fund-level expenses, which the underlying LP had sufficient capital on hand to make payment of, thus there was no cash flow impact to the LP.

During the quarter, US Select Direct I (**USD1**) confirmed the realisation of **Transpro**, a portfolio company which was acquired in partnership with another firm in mid-2014. Over the hold period the investment returned 0.22x for the Fund, however on sale no proceeds were received by equity holders. The trucking industry has been hit hard of late, with inflation, decreased demand and an oversaturated carrier market combined with company specific-issues contributing to the ultimate result. USD1's original investment in the company was US\$1m.

CD1 NTA + CUMULATIVE DISTRIBUTIONS^{1,2}



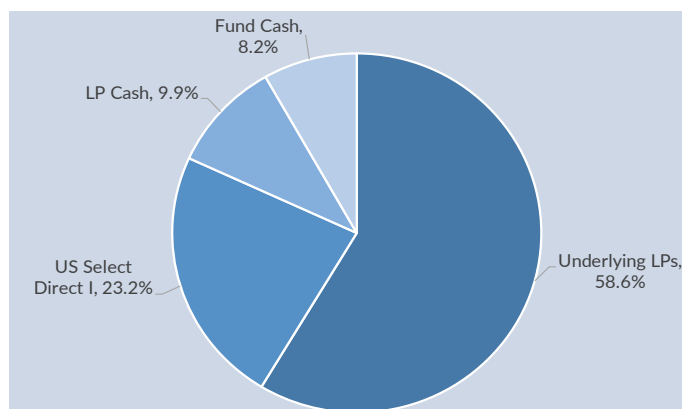
The Fund made payment of a \$0.11 per Unit distribution to Unitholders on 8 September 2023.

On an absolute return basis, the Fund has now returned a total of \$2.77 to Unitholders since inception³, or 1.73x original Unitholder investment⁴. Inclusive of the distributions paid and the Fund's 30 September 2023 NTA^{1,2}, original Unitholders will have now received a total return on initial investment (**TVPI**) of 2.40x since inception.

CD1 Original Unit Price	\$1.60 per Unit
CD1 Distributions Paid Since Inception ³	\$2.77 per Unit
CD1 30 September 2023 NTA (post-tax)	\$1.07 per Unit

PORTFOLIO COMPOSITION^{1, 3, 5, 6, 7}

Inception Date	Aug 2012
CD1 Interest in LP1	85.53%
Total underlying LPs (since inception)	9
Total underlying portfolio companies (since inception)	96
Total portfolio company realisations ⁹	70
Remaining portfolio companies	26
Median gross MOIC	2.6x
Average age of remaining companies	7.3 yr
Fund Cash Balance (30 September 2023)	A\$3.3m



FUND'S INTEREST IN ASSETS OF THE LP (\$USD millions)^{1, 8}

LP Cash	\$2.5
Trivest Fund V, LP	\$5.8
KarpReily Capital Partners II, LP	\$4.1
Encore Consumer Capital Fund II, LP	\$3.4
FPC Small Cap Fund I, LP	\$1.1
Peppertree Capital Fund IV, LP	\$0.6
Incline Equity Partners III, LP	\$0.1
US Select Direct Private Equity I, LP	\$5.9
Total	\$23.5

FUND + LP OUTSTANDING CAPITAL COMMITMENTS (\$USD millions)¹

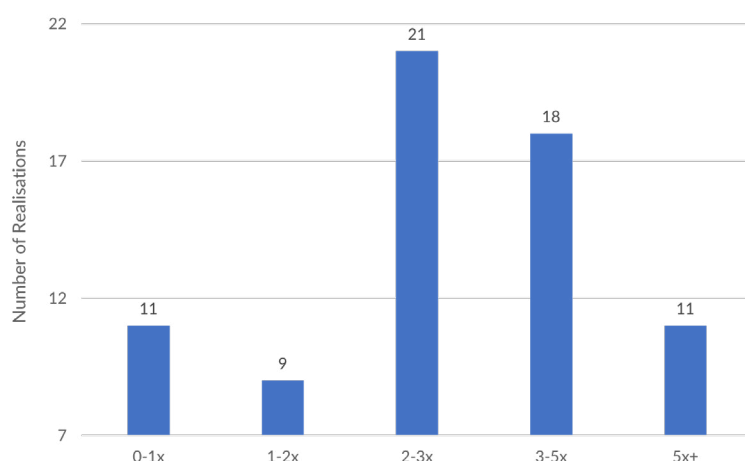
Fund's Remaining Commitment to LP1	\$0.0
LP1's Remaining Commitment to Underlying LPs	\$0.6

LP1 TOP 10 PORTFOLIO COMPANIES (\$USD MILLIONS)¹⁰

[Click here to view the Fund's portfolio companies](#)

	Portfolio Company Sector	Portfolio Company Fair Market Value	Half Year Valuation Change
Company 1 (held by KarpReily Capital Partners II, LP)	Consumer Discretionary	\$3.5	8.7%
Company 2 (held by US Select Direct Private Equity I, LP)	Consumer Discretionary	\$2.9	0.0%
Company 3 (held by Trivest Fund V, LP)	Information Technology	\$2.2	17.6%
Company 4 (held by US Select Direct Private Equity I, LP)	Healthcare	\$2.1	0.0%
Company 5 (held by Trivest Fund V, LP)	Healthcare	\$1.8	-22.9%
Company 6 (held by Encore Consumer Capital Fund II, LP)	Consumer Staples	\$1.5	-14.4%
Company 7 (held by Encore Consumer Capital Fund II, LP)	Consumer Staples	\$1.3	-8.1%
Company 8 (held by FPC Small Cap Fund I, LP)	Information Technology	\$1.3	-14.7%
Company 9 (held by KarpReily Capital Partners II, LP)	Consumer Staples	\$1.0	16.3%
Company 10 (held by Trivest Fund V, LP)	Utilities	\$0.8	77.9%
LP Investment Total		\$18.4	
Total of LP Investment (%)		75%	

CD1 PORTFOLIO REALISATIONS SINCE INCEPTION: GROSS MOIC^{1, 3, 5, 9}

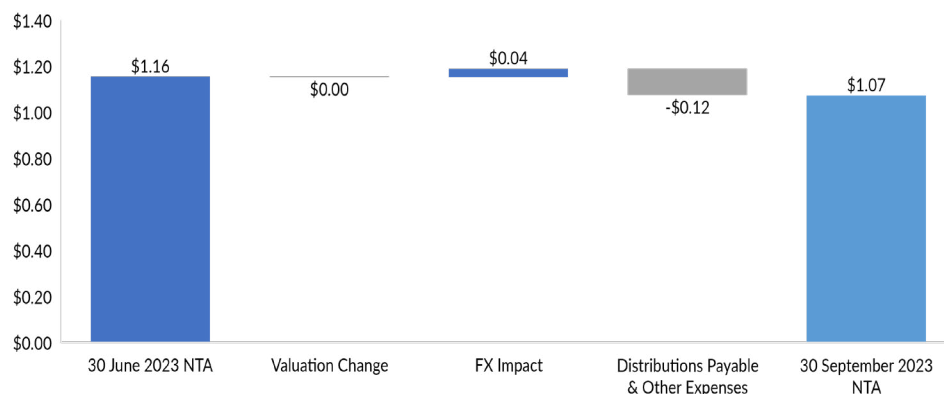


CD1 PERFORMANCE SUMMARY^{1, 2, 3, 4}

	1 MONTH	6 MONTHS	12 MONTHS	3 YEARS	5 YEARS	SINCE INCEPTION	IRR
NTA RETURN	0.0%	1.7%	-5.4%	17.5% p.a.	14.5% p.a.	12.5% p.a.	12.1% p.a.

HISTORICAL PERFORMANCE IS NOT A GUARANTEE OF THE FUTURE PERFORMANCE OF THE FUND.

CD1 QUARTERLY POST-TAX NTA PER UNIT MOVEMENT^{1, 2, 8}



GLOSSARY AND NOTES

Source: E&P Investments Limited (for data before 24 June 2023) and K2 Asset Management Ltd (for data after 24 June 2023).

All figures are in AUD unless otherwise noted. Figures throughout the document may not sum due to rounding. AUD:USD 30 September 2023 spot rate of 0.6435 used. The Unit price of CD1 was \$0.82 as at 29 September 2023, the last trading day of the quarter.

1. Data is unaudited and is as at 30 September 2023 and therefore we caution Unitholders that the data may differ from the upcoming audited financial report for the half year ended 30 September 2023.
2. NTA and total returns are inclusive of distributions and are based on post-tax NTA, net of fees and costs.
3. Inception dates were August 2012 (CD1), April 2013 (CD2), July 2016 (CD3) and April 2018 (CD4).
4. CD1, CD2, CD3 and CD4 original Unitholder investment was \$1.60 per Unit.
5. MOIC returns are as at 30 September 2023 and represent all underlying portfolio company sales since inception. MOIC returns are net of all underlying fees and expenses of the individual fund managers, but before fees and expenses of the LP and the Australian Unit Trust. MOIC returns are based on US dollar denominated investments and include US Select Direct I (USD1) realisations.
6. Includes US Select Direct I (USD1).
7. Age of portfolio companies refers to the average duration of time that the LP has been invested in the remaining underlying portfolio companies.
8. LP investments values are based on 30 September 2023 accounting values, which are the 30 June 2023 valuations provided by the LPs, adjusted for capital calls, distributions and foreign exchange movements over the period. It is expected that 30 September 2023 investment valuations will be received from the LPs by the end of November.
9. The Fund has updated the total portfolio company realisation count to include an additional portfolio company, held by Peppertree Capital Fund IV, which was realised in December 2022 (with the net proceeds of US\$0.03 received by the LP in February 2023). This change to the portfolio company realisation count has no impact to 30 September 2023 (or prior) NTA releases.
10. Portfolio company fair market values are unaudited and represent the LP's interest in the company based on the 30 June 2023 valuations received during the quarter.

ABOUT THE FUND SERIES

The CD Private Equity Fund Series, including CD Private Equity Fund I (ASX: CD1), CD Private Equity Fund II (ASX: CD2), CD Private Equity Fund III (ASX: CD3), and CD Private Equity Fund IV (CD4) (together, Funds or Fund Series), is a series of private equity funds focused on US small-cap private equity funds and direct company investments. The Fund Series investments are selected by a joint venture between the private investment arm of the Cordish Companies of Baltimore, Maryland, and E&P Funds with underlying investments managed by

experienced private equity fund managers.

This venture is anchored in the belief that smaller and nimbler private equity funds materially outperform larger private equity funds. The Fund Series was formed to provide investors with a platform to invest in a portfolio of high quality small to mid-market private equity funds and companies – a strategy that is typically beyond the reach of all but the largest endowment funds and family offices. The Fund Series also provides investors with the opportunity to benefit from the Cordish Family Office's experience and network in investing in specialist small to mid-market private equity funds and direct equity investments in the US, as well as to invest side-by-side and on equal terms with the Cordish family in these compelling opportunities.

INVESTMENT OBJECTIVES

The General Partner and Investment Manager will seek to meet each Fund's aim of providing Unitholders with exposure to a portfolio of investments in small and mid-market private investment funds and privately held companies predominantly focused in the US; and capital growth over the medium to long term.

CD PRIVATE EQUITY TEAM



Jonathan Cordish
President
Cordish Private Ventures



Jonathan Sinex
Managing Director
Cordish Private Ventures

RESPONSIBLE ENTITY



K2 Asset Management Ltd (K2) is the Responsible Entity of the Funds. K2 is a listed Australian diversified financial services firm with three core pillars:

- Funds Management;
- Responsible Entity (RE) and Trustee Service; and
- Exchange Traded Funds (ETFs).

Established in 1999, K2 is the main operating subsidiary of K2 Asset Management Holdings Ltd which is listed on the Australian Securities Exchange (ASX Code: KAM).

HISTORICAL PERFORMANCE IS NOT A GUARANTEE OF THE FUTURE PERFORMANCE OF THE FUNDS.

DISCLOSURES

This Quarterly Update (Update) has been prepared by K2 Asset Management Limited as Responsible Entity (ACN 085 445 094, AFSL 244 393) of the CD Private Equity Fund Series (Funds or Fund Series) which includes CD Private Equity Fund I (ARSN 158 625 284) (CD1), CD Private Equity Fund II (ARSN 162 057 089) (CD2), CD Private Equity Fund III (ARSN 612 132 813) (CD3), and CD Private Equity Fund IV (ARSN 624 474 531) (CD4). The general partner of each of the Limited Partnerships (LPs) in the series has engaged either E&P Funds Management Pty Limited (ACN 159 902 708) (LPI) ("E&PFM") or the Investment Manager (LPs II, III, IV) to act as investment manager and/or investment advisor for each respective underlying LP. An investment in any of the Funds is subject to various risks, many of which are beyond the control of the Investment Manager and the Funds. The past performance of the Funds is not a guarantee of the future performance of the Funds. This Update may contain statements, opinions, projections, forecasts and other material (forward looking statements), based on various assumptions. Those assumptions may or may not prove to be correct. The Responsible Entity and its advisers (including all of their respective directors, consultants and/or employees, related bodies corporate and the directors, shareholders, managers, employees or agents of them) (Parties) do not make any representation as to the accuracy or likelihood of fulfilment of the forward-looking statements or any of the assumptions upon which they are based. Actual results, performance or achievements may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward-looking statements and the Parties assume no obligation to update that information. This Update may contain general advice. Any general advice provided has been prepared without taking into account your objectives, financial situation or needs. Before acting on the advice, you should consider the appropriateness of the advice with regard to your objectives, financial situation and needs, and consider obtaining advice from a financial advisor. You should obtain a copy of the relevant PDS or offer document before making any decisions to purchase a product. All performance figures, unit prices and distributions are in Australian Dollars, unless otherwise stated. Like all investments, an investment in any of the Funds carries risks which may result in the loss of income or principal invested. In addition to the general risks of investing, specific risks associated with investing in the Funds include, but are not limited to, private investments risk, illiquidity risk and foreign exchange risk. For further information about the risks of investing in any of the Funds, please see the relevant Product Disclosure Statements available on the website cdfunds.com.au.

2023 Q3
QUARTERLY UPDATE: CD1

