



Half-Year Financial Report

FOR THE HALF-YEAR ENDED
30 SEPTEMBER 2023

ARSN 162 057 089

RESPONSIBLE ENTITY



K2 Asset Management Ltd
(ACN 085 445 094) (AFSL 244 393)

CD Private Equity Fund II

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30 September 2023

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CD Private Equity Fund II
Report to unitholders
30 September 2023

Dear Unitholders,

K2 Asset Management Ltd (**K2**), as Responsible Entity (**RE**) is pleased to present to you this report on the performance of CD Private Equity Fund II (**Fund or CD2**) for the six-month period ended 30 September 2023 (**HY24**).

Financial Performance

Over the first half of FY24 (**HY24**), the Fund generated a total return of 15.1%, on a post-tax net asset value basis, posting a net profit of \$12.9 million, or 24.66 cents per Unit, compared with a net profit of \$10.4 million, or 19.19 cents per Unit for the corresponding period last year.

The half-year performance was largely attributable to positive fair value movement in the portfolio held with the underlying investment managers (**underlying LPs**) of \$15.5 million. The depreciation in the Australian dollar against the US dollar was accretive to portfolio value during the six-month period, with the Australian dollar falling from 66.85 at 31 March 2023 to 64.35 US cents, leading to an unrealised foreign currency translation gain of \$3.1 million, included in the total fair value movement.

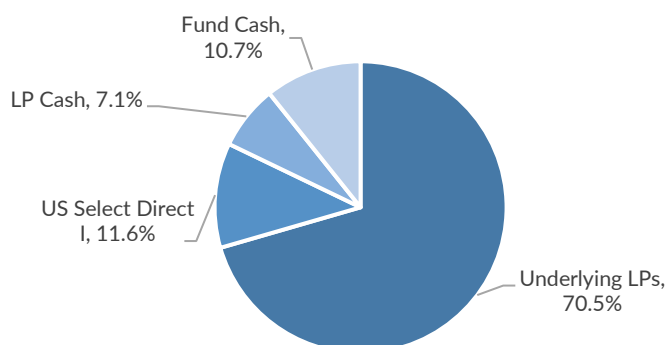
On a post-tax Net Tangible Asset (**NTA**) basis, the Fund has generated total returns of 12.0% p.a. since inception (inclusive of distributions and net of all fees). As of 30 September 2023, the Fund had pre-tax net assets of \$92.6 million representing \$1.76 per Unit and post-tax net assets of \$86.1 million representing \$1.64 per Unit.

Portfolio Positioning

The Fund's investment objectives have been to provide Unitholders with exposure to a portfolio of investments in small to medium private investment funds and privately held companies, predominantly in the US. Through its investment in the US Select Private Opportunities Fund II, L.P. (**LP**), the Fund initially invested in 12 US private investment funds all focused on small-to-mid-market private investment opportunities. The LP is now invested with ten Underlying LPs having no remaining capital with DFW Capital Partners IV, LP and RFE VIII, LP.

Since inception in April of 2013, the LP committed a total consideration of US\$97 million to the underlying LPs, of which US\$84.4 million has been contributed, net of recallable capital distributions. The Fund's proportionate interest in the LP is 87.3%, representing a total commitment of approximately US\$74.6 million. As at 30 September 2023, the Fund has uncalled capital commitments of US\$3.5 million (or \$5.4 million) outstanding to the LP and these capital commitments can be called at any time in the future.

The Fund's investment exposure, as at 30 September 2023, is expanded further below.



For the half-year ended 30 September 2023, these underlying LPs made drawdown requests on the LP to fund their investments, management fees and operating expenses totaling US\$1.4 million. Notable investment activity included:

Chicago Pacific Founders Fund, L.P. called US\$0.2 million for follow-on investments in underlying portfolio company, P3 Health Partners (**P3**).

During the half-year, underlying portfolio company exit activity was subdued, in line with wider market conditions.

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However, the LP did receive 10 distributions for a total of US\$8.5 million from the following underlying LPs:

Staple Street Capital II, L.P. (Staple Street) distributed US\$8.2 million in proceeds related to:

- The US Dominion Inc. (**Dominion**) settlement of the defamation suit with Fox Corp;
- The sale of the underlying portfolio company, Mid-States Supply Company (**Mid States Supply**). During the partnership, Staple Street worked with the Company’s management team to create value and transform Mid States Supply to become one of the leading providers of valve modification services in the United States. Mid States Supply was sold to Ilion Capital Partners, an industrials-focused private equity firm.
- The sale of underlying portfolio company, CyberlinkASP (**Cyberlink**). Cyberlink was founded in 1999 and headquartered in Dallas, Texas. The company offer a full suite of IT management services, including Desktop-as-a-Service, application hosting, network management, disaster recovery, and cybersecurity.
- Investment proceeds from underlying portfolio companies Dominion and Ivy Technology.

NMS Fund II, LP. distributed residual proceeds of US\$0.05 million relating to the prior period realisations of portfolio companies Constellation Behavioral Health and Anne Arundel Dermatology.

Tower Arch Partners I, L.P. distributed an escrow release and an estimated tax distribution (US\$0.03 million).

Unitholder Distributions

The aforementioned distributions received by the LP were utilised, in tandem with surplus cash at the LP and Fund level, to make payment of a distribution of 19.5 cents per unit to Unitholders on 8 September 2023. This represents the fourteenth distribution since inception, taking the total distributions for investors who have held units since inception to \$2.26 per Unit, or 1.41 times the initial offer price of \$1.60 per unit.

Distributions since Inception



Market conditions

The first half of FY24 was objectively a tough one for private equity (PE) markets, with global economic conditions strained through a combination of high inflation, geopolitical uncertainty, and rising interest rates all providing headwinds for the market. These factors, combined with US bank failures in the first half of the year, saw a tightening on credit and some valuation volatility across the markets, resulting in a slow-down in PE exits for the half year. At a macro-level, continued disparity between buyers and sellers does run the risk of disrupting the cash flow cycle into

CD Private Equity Fund II

Report to unitholders

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fundraising and fund deployment, particularly as investments begin to mature and funds are forced to extend their life. Fortunately, it appears that secondary and continuation funds are entering the market and can 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.

While there was a disparity between buyers and sellers as the cost of capital made for a challenging exit environment, there were a number of saving graces in the PE market. Namely, add-ons (when a private equity firm or other buyer acquires a company and integrates it into an existing business), which are at near-record high levels across PE buyouts and have been instrumental in allowing PE funds to continue to deploy capital. Similarly, the private credit market has proved a welcome funding resource, particularly in the sub-\$1 billion market, as they fill the void that the banks left earlier in the year.

While we are conscious of the timeline of CD2, the underlying LPs demonstrate a preference to hold on to promising assets until exit conditions begin to improve, not intending to “time” the market, but instead consistently looks to return capital when the relevant portfolio companies reach the appropriate level of maturity and market conditions allow. We agree with this position and are of the belief that the strong returns of the Fund and CD Private Equity Fund Series are a reflection of the expertise of the Manager as they guide, grow and transform the underlying investments in changing – and sometimes challenging – market environments.

We thank you for your support and look forward to updating you on the progress of the Fund through the 2024 financial year.

Yours faithfully,



Hollie Wight
Managing Director, Head of RE & Trustee Services
29 November 2023

CD Private Equity Fund II
Directors' report
30 September 2023

The directors of K2 Asset Management Ltd, the Responsible Entity of the CD Private Equity Fund II (**Fund**), present their report together with the condensed financial statements of the Fund for the half-year ended 30 September 2023.

Directors

Effective 24 June 2023, K2 Asset Management Ltd replaced E&P Investments Limited as Responsible Entity of the Fund pursuant to an extraordinary resolution passed on 19 June 2023.

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

E&P Investments Limited
(resigned effective 24 June 2023)

Stuart Nisbett
Warwick Keneally
Peter Shear

K2 Asset Management Ltd
(appointed effective 24 June 2023)

Campbell Neal
Hollie Wight
George Boubouras
Neil Sheather (appointed 1 July 2023)

Directors have been in office since the start of the half-year to the date of this report unless otherwise stated.

Principal activities and significant changes in nature of activities

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

Review and results of operations

The profit for the Fund after providing for income tax amounted to \$12,939,146 (30 September 2022: \$10,367,113).

The key component of this result was a \$15,504,739 fair value gain (30 September 2022: \$10,305,363) on the Fund's investment in the LP during the period. As at 30 September 2023, the Fund had net assets of \$86,085,220 (31 March 2023: \$83,379,498), representing \$1.64 per unit (31 March 2023: \$1.59 per unit).

The Fund has invested in a limited partnership, US Select Private Opportunities Fund II, L.P. (**LP**), which, in turn, invests in small-to-mid market private investment funds and companies. The LP has committed capital across 12 underlying private investment funds which focus on a range of industries including consumer products, manufacturing and business services. For the half-year ended 30 September 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 half-year totalled US\$83.4 million.

The Fund has committed capital of US\$74.6 million, representing an interest of 87.3% in the LP. The Fund's proportionate share of the total capital called as at 30 September 2023 was US\$71.1 million (or \$110.5 million).

Distributions

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

	30 September 2023 \$	30 September 2022 \$
Distribution - 19.5 cents per unit paid on 8 September 2023	<u>10,233,424</u>	<u>-</u>

Events subsequent to the reporting period

No matter or circumstance has arisen since 30 September 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.

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.

CD Private Equity Fund II
Directors' report
30 September 2023

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the directors



Hollie Wight
Director of K2 Asset Management Ltd, Responsible Entity

29 November 2023

29 November 2023

The Board of Directors
K2 Asset Management Ltd
as a Responsible Entity for:
CD Private Equity Fund II
Level 44, 101 Collins Street
Melbourne VIC, 3000
Australia

Dear Board Members

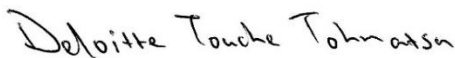
Auditor's Independence Declaration to CD Private Equity Fund II

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of the Responsible Entity of CD Private Equity Fund II.

As lead audit partner for the review of the half year financial report of CD Private Equity Fund II for the half-year ended 30 September 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 review; and
- Any applicable code of professional conduct in relation to the review.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Carlo Pasqualini
Partner
Chartered Accountants

CD Private Equity Fund II
Condensed statement of profit or loss and other comprehensive income
For the half-year ended 30 September 2023

	Note	30 September 2023 \$	30 September 2022 \$
Investment income			
Interest income		71,584	40,705
Foreign exchange gain		126,449	453,567
Fair value movements of equity investments	4	<u>15,504,739</u>	<u>10,305,363</u>
Total investment income		<u>15,702,772</u>	<u>10,799,635</u>
Expenses			
Management and administration fees	8	(209,232)	(261,232)
Listing fees		(24,691)	(24,243)
Custody fees		(6,525)	(10,431)
Registry fees		(21,037)	(18,026)
Legal and professional fees		(88,488)	(91,056)
Transaction costs		(32,139)	(138,000)
Other expenses		<u>(3,305)</u>	<u>(6,484)</u>
Total expenses		<u>(385,417)</u>	<u>(549,472)</u>
Profit before income tax benefit/(expense)		15,317,355	10,250,163
Income tax benefit/(expense)		<u>(2,378,209)</u>	<u>116,950</u>
Profit after income tax benefit/(expense) for the half-year		12,939,146	10,367,113
Other comprehensive income for the half-year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the half-year		<u><u>12,939,146</u></u>	<u><u>10,367,113</u></u>
		Cents	Cents
Basic earnings per unit	3	24.66	19.19
Diluted earnings per unit	3	24.66	19.19

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

CD Private Equity Fund II
Condensed statement of financial position
As at 30 September 2023

	30	31 March
Note	September 2023	2023
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	10,285,279	10,328,531
Receivables	60,197	31,893
Current tax assets	162,674	-
Total current assets	<u>10,508,150</u>	<u>10,360,424</u>
Non-current assets		
Other financial assets	4 82,439,324	80,567,573
Total non-current assets	<u>82,439,324</u>	<u>80,567,573</u>
Total assets	<u>92,947,474</u>	<u>90,927,997</u>
Liabilities		
Current liabilities		
Trade and other payables	216,292	179,154
Current tax payables	-	1,303,691
Total current liabilities	<u>216,292</u>	<u>1,482,845</u>
Non-current liabilities		
Deferred tax	5 6,645,962	6,065,654
Total non-current liabilities	<u>6,645,962</u>	<u>6,065,654</u>
Total liabilities	<u>6,862,254</u>	<u>7,548,499</u>
Net assets	<u>86,085,220</u>	<u>83,379,498</u>
Equity		
Unit capital	6 82,891,568	82,891,568
Retained earnings	3,193,652	487,930
Total equity	<u>86,085,220</u>	<u>83,379,498</u>

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

CD Private Equity Fund II
Condensed statement of changes in equity
For the half-year ended 30 September 2023

	Unit capital \$	Retained earnings \$	Total equity \$
Balance at 1 April 2022	83,881,028	20,772,558	104,653,586
Profit after income tax benefit for the half-year	-	10,367,113	10,367,113
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	10,367,113	10,367,113
<i>Transactions with unitholders in their capacity as unitholders:</i>			
Unit buy-backs	(986,930)	-	(986,930)
Buy-back costs	(2,530)	-	(2,530)
Balance at 30 September 2022	<u>82,891,568</u>	<u>31,139,671</u>	<u>114,031,239</u>
	Unit capital \$	Retained earnings \$	Total equity \$
Balance at 1 April 2023	82,891,568	487,930	83,379,498
Profit after income tax expense for the half-year	-	12,939,146	12,939,146
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	12,939,146	12,939,146
<i>Transactions with unitholders in their capacity as unitholders:</i>			
Distributions paid (note 7)	-	(10,233,424)	(10,233,424)
Balance at 30 September 2023	<u>82,891,568</u>	<u>3,193,652</u>	<u>86,085,220</u>

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

CD Private Equity Fund II
Condensed statement of cash flows
For the half-year ended 30 September 2023

	30 September 2023 \$	30 September 2022 \$
Cash flows from operating activities		
Interest income received	71,624	20,067
Net payments to suppliers	(376,622)	(494,394)
Income tax paid	(253,535)	(339,257)
Net cash used in operating activities	<u>(558,533)</u>	<u>(813,584)</u>
Cash flows from investing activities		
Receipts from distributions	<u>10,430,001</u>	<u>14,715,185</u>
Net cash from investing activities	<u>10,430,001</u>	<u>14,715,185</u>
Cash flows from financing activities		
Payment for distribution	(10,233,424)	-
Payment for unit buy-backs	-	(1,023,176)
Payment of buy-back costs	-	(2,531)
Net cash used in financing activities	<u>(10,233,424)</u>	<u>(1,025,707)</u>
Net (decrease)/increase in cash and cash equivalents	(361,956)	12,875,894
Cash and cash equivalents at the beginning of the financial half-year	10,328,531	11,515,075
Effects of exchange rate changes on cash and cash equivalents	318,704	1,637,320
Cash and cash equivalents at the end of the financial half-year	<u><u>10,285,279</u></u>	<u><u>26,028,289</u></u>

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

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

Pursuant to a resolution approved on 19 June 2023, K2 Asset Management Ltd (**Responsible Entity**) replaced E&P Investments Limited (**former Responsible Entity**) as responsible entity of the Fund effective 24 June 2023.

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

Basis of preparation

(i) Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134: 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

The condensed financial statements were authorised for issue by the directors on 29 November 2023.

(ii) Summary of significant accounting policies

The same accounting policies and methods of computation have been followed in this half-year financial report as were applied in the most recent annual financial statements.

The Fund has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (**AASB**) that are relevant to the operations and effective for the current half-year. The adoption of new and revised Standards and Interpretations has had no material impact on the financial statements.

(iii) Critical accounting estimates and judgements

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

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

Accounting policies which are subject to significant accounting estimates and judgements include fair value determination of the interest held by the Fund in the Limited Partnership (refer to note 4 (iv)), recognition of a deferred tax liability in respect of likely US tax obligations which will arise from underlying fund investment realisations (refer to note 5), and selection of Australian dollars as the functional currency of the Fund.

2. Operating segment

The Fund operates a single reportable segment, that being the business of investing in small-to-mid-market private investments in the United States of America through its interest in a Limited Partnership.

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

CD Private Equity Fund II
Notes to the condensed financial statements
30 September 2023

2. Operating segment (continued)

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

3. Earnings per unit

	30 September 2023	30 September 2022
	\$	\$
Profit after income tax	<u>12,939,146</u>	<u>10,367,113</u>
	Number	Number
Weighted average number of ordinary units used in calculating basic earnings per unit	<u>52,479,086</u>	<u>54,030,867</u>
Weighted average number of ordinary units used in calculating diluted earnings per unit	<u>52,479,086</u>	<u>54,030,867</u>
	Cents	Cents
Basic earnings per unit	24.66	19.19
Diluted earnings per unit	24.66	19.19

4. Non-current assets - other financial assets

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

	30 September 2023	31 March 2023
	\$	\$
US Select Private Opportunities Fund II, LP (LP)	<u>82,439,324</u>	<u>80,567,573</u>

	30 September 2023	31 March 2023
	\$	\$
(ii) Reconciliation		
Balance at the beginning of the period	80,567,573	100,526,700
Movement in fair value through profit or loss*	15,504,739	(1,607,346)
Distributions received from LP ^	<u>(13,632,988)</u>	<u>(18,351,781)</u>
Balance at the end of the period	<u>82,439,324</u>	<u>80,567,573</u>

* Included in the 'movement in fair value' amount of \$15,504,739 gain (year ended 31 March 2023: \$1,607,346 loss) is an unrealised foreign exchange translation gain component of \$3,098,489 (year ended 31 March 2023: \$11,413,713 gain). This amount is also net of the Fund's 87.3% share of management fees paid by the LP to the General Partner of the LP, totalling \$nil (year ended 31 March 2023: \$1,843,708) (refer to note 8).

CD Private Equity Fund II
Notes to the condensed financial statements
30 September 2023

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

^ Net distributions received from the LP include offsetting of the Fund's US tax obligations of \$3,300,771 (US\$2,182,000) (31 March 2023: \$28,325 (US\$20,000)) 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 30 September 2023 is represented by its proportionate interest in the LP's assets and liabilities as follows:

	30 September 2023 \$	31 March 2023 \$
Cash	6,794,036	8,041,864
Investment in US private investment funds recorded at fair value:		
Blue Point Capital Partners III, LP	2,939,861	2,942,728
Chicago Pacific Founders Fund, LP	27,068,152	24,192,651
High Road Capital Partners Fund II, LP	5,711,698	4,789,475
Main Post Growth Capital, LP	10,230,445	9,722,329
NMS Fund II, LP	4,584,952	4,434,927
Staple Street Capital II, LP	6,627,212	7,566,085
Tengram Capital Partners Gen 2 Fund	4,149,355	4,377,437
Tower Arch Partners I, LP	2,333,876	2,366,937
Trive Capital Fund I, LP	880,892	863,131
US Select Direct Private Equity Fund (US), LP	11,059,987	11,212,982
Other assets	<u>58,858</u>	<u>57,027</u>
Net assets*	<u><u>82,439,324</u></u>	<u><u>80,567,573</u></u>

* Included in the net assets of \$82,439,324 (31 March 2023: \$80,567,573) are investments in US private investment funds of \$75,586,430 (31 March 2023: \$72,468,682).

(iv) Valuation

Valuation technique adopted

As disclosed in the most recent annual financial report, the valuation of the Fund's interest in the LP at balance date has been based on the Fund's established valuation basis described below.

The fair value of the Fund's interest in the LP is determined using a proportionate value method based on the Fund's 87.3% interest held in the total net asset value of the LP.

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

The LP holds investments predominately in US private investment funds, and the LP adopts a similar fair value measurement basis, based on the proportionate interest it holds in the most recent reported total net asset values of the respective investment funds. There is up to a three month difference between the Fund's reporting date and the date of the most recent reported net assets of the underlying investment funds. The underlying investment funds typically invest in US unlisted equity investments with fair values determined periodically based on market or income-based valuation techniques, which may involve the use of unobservable inputs such as discount rate and earnings multiple.

The valuation of the Fund's equity investment in the LP is based on the fair values of the underlying investment funds at 30 June 2023 adjusted for any changes to those valuations to reflect movements to 30 September 2023, including foreign exchange translation impacts arising from translating the USD denominated interest in the LP to AUD at each balance date.

Investment risks

As noted above, the LP has invested in underlying private investment funds in the US market who have in turn invested in a portfolio of private equity investments. Because of the absence of any liquid trading market for these types of investments, it may take longer to liquidate these investments than would be the case for marketable securities and accordingly the value obtained on realisation may differ to the estimated fair values at balance date. As there are no directly observable prices, the fair values assigned by the investment funds to each investment are based on a range of factors, including but not limited to the initial purchase price, market trading multiples and observed transaction metrics. The resulting valuations may differ significantly from the values that would have been realised had a transaction taken place at balance date. The differences would directly impact the value of the interest held by the LP in the underlying investment funds and consequently the value of the interest held by the Fund in the LP. Estimation uncertainty also arises in relation to likely US tax obligations the Fund will incur in connection with realisation of recorded fair value movements (refer to note 5).

Inter-relationship between significant unobservable inputs and fair value measurement

The inter-relationship between the significant unobservable inputs and fair value measurements is such that the higher the growth rates or earnings multiples adopted by the underlying investment funds, the higher the resultant fair value determination of the underlying equity investments, and therefore ultimately the higher the fair value of the Fund's investment in the LP. Since neither the Fund itself, nor the LP, has access to the underlying detailed equity investment valuations performed by the US investment funds, it is unable to assess the sensitivity of fair value determinations to changes in underlying unobservable inputs. However, at the Fund level, a 5% change (increase/decrease) in the carrying value of the LP's interest held in the underlying US investment funds would result in a \$3,779,322 impact (increase/decrease) in the carrying value of the Fund's investment in the LP. A 5% increase in the AUD/USD exchange rate would decrease the value of the Fund's investment in the LP by \$3,925,679. Conversely, a 5% decrease would increase the value of the Fund's investment by \$4,338,915. Refer to note 1(iii) for further details regarding investment risks and estimation uncertainty applied in the determination of the fair value of the underlying unlisted equity investments to which the Fund is exposed.

(v) Capital commitments

As at 30 September 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 30 September 2023, the Fund has uncalled capital commitments of US\$3.5 million (or \$5.4 million) outstanding to the LP. The capital commitments can be called at any time in the future.

The uncalled capital commitments referred to above were converted at the half-year end AUD:USD exchange rate of 0.6435.

CD Private Equity Fund II
Notes to the condensed financial statements
30 September 2023

5. Non-current liabilities - deferred tax

	30 September 2023 \$	31 March 2023 \$
Deferred tax liability	<u>6,645,962</u>	<u>6,065,654</u>

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

6. Equity - unit capital

	30 September 2023 Units	31 March 2023 Units	30 September 2023 \$	31 March 2023 \$
Ordinary units - fully paid	<u>52,479,086</u>	<u>52,479,086</u>	<u>82,891,568</u>	<u>82,891,568</u>

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

Unit buy-back

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

7. Equity - distributions

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

	30 September 2023 \$	30 September 2022 \$
Distribution - 19.5 cents per unit paid on 8 September 2023	<u>10,233,424</u>	<u>-</u>

8. Related party disclosures

The Responsible Entity of the Fund during the period until 24 June 2023 was E&P Investments Limited (**former Responsible Entity**). The Responsible Entity of the Fund from 24 June 2023 is K2 Asset Management Ltd (**Responsible Entity**).

Key management personnel

Key management personnel include persons who were directors of the responsible entity at any time during or since the end of the half-year and up to the date of this report. The following persons held office as directors of the responsible entity during or since the end of the half-year and up to the date of this report:

CD Private Equity Fund II
Notes to the condensed financial statements
30 September 2023

8. Related party disclosures (continued)

E&P Investments Limited
(resigned effective 24 June 2023)

Stuart Nisbett
Peter Shear
Warwick Keneally

K2 Asset Management Ltd
(appointed effective 24 June 2023)

Campbell Neal
George Boubouras
Hollie Wight
Neil Sheather (appointed 1 July 2023)

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, E&P Investments Limited, as former Responsible Entity of the Fund, charged management fees of 0.33% per annum (exclusive of GST) on the gross asset value of the Fund for the period up to and including the effective date of 24 June 2023. This is comprised of the Responsible Entity Fee of 0.08% per annum and Administration Fee of 0.25% per annum. Management fees were paid to the former Responsible Entity quarterly in advance.

The total management fees paid to the former Responsible Entity for the half-year ended 30 September 2023 was \$79,081 (2022: \$191,117), exclusive of GST. There were no outstanding management fees to the former Responsible Entity as at 30 September 2023 (2022: \$nil).

Following the change of Responsible Entity to K2 Asset Management Ltd on 24 June 2023, total management fees charged from 25 June 2023 was 0.275% per annum (exclusive of GST) on the gross asset value of the Fund. This is comprised of the Responsible Entity Fee of 0.05% per annum and Administration Fee 0.225% per annum. Management fees are paid to the Responsible Entity quarterly in advance.

The total management fees paid to the Responsible Entity for the half-year ended 30 September 2023 was \$62,338, exclusive of GST. There were no outstanding management fees as at 30 September 2023.

Fund administration fee

Australian Fund Accounting Services Pty Limited, a wholly-owned subsidiary of E&P Financial Group Limited, the parent of the former Responsible Entity, provided fund administration services to the Fund under an agreement with the former Responsible Entity. These services included net asset valuation, management accounting, statutory reporting, capital management and taxation. This service agreement ceased on 3 July 2023.

Total fund administration fees paid or payable to Australian Fund Accounting Services Pty Limited for the half-year ended 30 September 2023 were \$30,000 (2022: \$60,000), exclusive of GST.

From 3 July 2023, K2 Asset Management Ltd commenced provision of 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 to K2 Asset Management Ltd for the half-year ended 30 September 2023 were \$30,000, 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 former 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 half-year ended 30 September 2023 amounted to \$nil (US\$nil) (2022: \$1,209,601 (US\$845,040)). The Fund's 87.3% interest equates to \$nil (2022: \$1,055,981). This fee is recorded in the books of the LP.

CD Private Equity Fund II
Notes to the condensed financial statements
30 September 2023

8. Related party disclosures (continued)

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

At balance date, the Fund's share of the LP's investment in US Select Direct Private Equity Fund (US), L.P. was \$11,089,524 (US\$7,136,109) (31 March 2023: \$11,212,982 (US\$7,495,878)). The General Partner of this investment is associated with the former Responsible Entity of the Fund. The LP's share of the investment management fees paid to the General Partner for the half-year ended 30 September 2023 amounted to \$nil.

Recharges paid to related entity

To avoid suppliers receiving multiple payments, K2 Asset Management Ltd, 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 initially.

E&P Operations Pty Limited, a related party of the former Responsible Entity also made single payments to certain suppliers and recharged to the Fund its share at cost during the reporting period. This arrangement with the former Responsible Entity ceased after the appointment of K2 Asset Management Ltd.

9. Fair value measurement

Fair value

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

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

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
30 September 2023				
<i>Financial assets carried at fair value</i>				
Other financial assets - equity investment constituting interest in US Select Private Opportunities Fund II, LP	-	-	82,439,324	82,439,324
Total assets	-	-	82,439,324	82,439,324

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
31 March 2023				
<i>Financial assets carried at fair value</i>				
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

The Fund recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the transfer has occurred. There were no transfers between levels during the period ended 30 September 2023.

Details of the determination of level 3 fair value measurements including the valuation technique adopted and the key underlying unobservable inputs used are set out in note 4 (iv).

CD Private Equity Fund II
Notes to the condensed financial statements
30 September 2023

9. Fair value measurement (continued)

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

10. Events after the reporting period

No matter or circumstance has arisen since 30 September 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.

CD Private Equity Fund II
Directors' declaration
30 September 2023

In the opinion of the directors of the Responsible Entity:

- the financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with the Accounting Standards;
- the attached financial statements and notes give a true and fair view of the Fund's financial position as at 30 September 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors of the Responsible Entity made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the directors



Hollie Wight
Director of K2 Asset Management Ltd, Responsible Entity

29 November 2023

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

Conclusion

We have reviewed the half-year financial report of CD Private Equity Fund II (the "Fund"), which comprises the condensed statement of financial position as at 30 September 2023, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Fund does not comply with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Fund's financial position as at 30 September 2023 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) ("the Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of K2 Asset Management Ltd (the "Responsible Entity"), would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibilities for the Half-year Financial Report

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

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Fund's financial position as at 30 September 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Carlo Pasqualini
Partner
Chartered Accountants

Sydney, 29 November 2023

CD Private Equity Fund II
Corporate Directory
30 September 2023

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

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