



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.

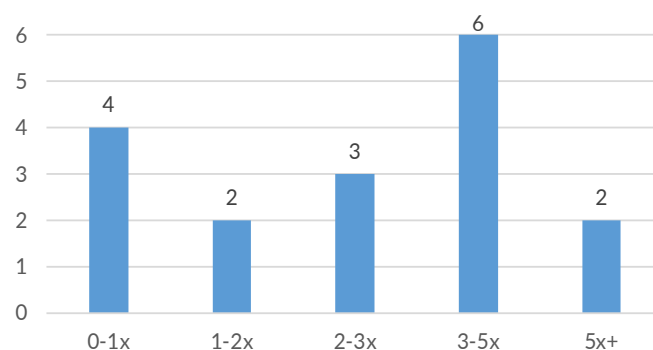
As it relates to US Private Equity (PE), the quarter was subdued for exit activity, down 34% from what was an unsustainably high peak in Q2 2021, and down 7.2% from Q2 2023. Economic conditions continue to contribute to a disparity between sellers and buyers, and over a continued period this runs the 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 3 (ASX: CD3)

During the quarter, the LP received seven capital calls totalling **US\$0.7 million**, primarily used to fund management fees and partnership expenses and well as a select number of follow-on investments.

One of these follow-on investments was in a portfolio company of US Select Direct II (**USD2**) – **Pole Star** – who are the pioneer and market leader in maritime intelligence technology, with the largest blue water fleet under management. During the quarter they acquired a competitor that has a cloud-based voyage monitoring, regulatory compliance, performance analytics and fleet optimization platform. The combined companies will be one of the market leaders and the acquisition is expected to generate significant operational synergies for Pole Star moving forward.

During the quarter, USD2 also partnered with **ZBS Partners, LLC** on their newest US\$360 million Fund. The fund intends to invest in buy-and-build investment platforms in highly fragmented and resilient growth industries, with an initial focus in accounting services.

Distributions of investment proceeds, totalling **US\$7.1 million** were received by the LP from seven underlying LPs, including proceeds from the following events:

- The sale of MBC Companies (**MBC**) to Entrepreneurial Equity Partners. MBC was created from the acquisition of Murry's (an underlying portfolio company of Encore Consumer Capital Fund III, L.P.) who are a manufacturer of frozen French sticks and bites, and Bake Crafters – a manufacturer and distributor of breakfast and other baked goods products – in 2022. This sale represented the largest dollar return exit in Encore's 18-year history.
- The sale of Los Angeles-based videogame developer, Scopely, Inc. (**Scopely**), an underlying portfolio company of Elephant Partners Fund I, L.P. Scopely was acquired for US\$4.9 billion by a Saudi Arabian company, Savvy Games Group, making it one of the biggest gaming deals of all time. The acquisition will see Scopely act as an autonomous business unit under the Savvy umbrella, utilising the long-term investment to grow and deepen existing franchises, target new audiences, and form strategic partnerships - as well as make acquisitions of its own. Additionally, the acquisition will allow Scopely to extend its cross-platform development and live service expertise to PC and console, as well as explore new genres.
- The sale of Foundation Source Philanthropic Services, Inc (**Foundation Source**) to a larger private equity firm. For more than two decades, Foundation Source has been empowering people and companies to create a better world through philanthropy. In 2023, Foundation Source supported more than 2,000 unique foundations representing over \$20 billion in charitable assets, experiencing exceptional growth over the last two decades. Incline Equity Partners, who partnered with the company in January 2020, commented that they are proud their partnership with Foundation Source facilitated its rapid growth and transition to a fully tech-enabled organization.

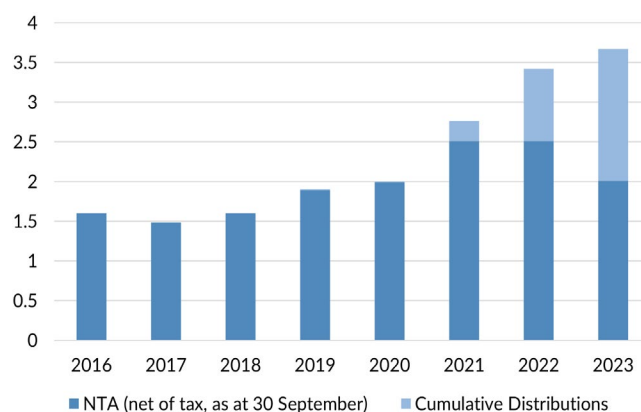
PORTFOLIO COMPOSITION^{1, 3, 5, 6, 7}

| | |
|--|------------|
| Inception Date | July 2016 |
| CD3 Interest in LP3 | 71.22% |
| Total underlying LPs (since inception) | 14 |
| Total underlying portfolio companies (since inception) | 143 |
| Total portfolio company realisations | 55 |
| Remaining portfolio companies | 88 |
| Median gross MOIC | 3.1x |
| Average age of remaining companies | 4.13 years |
| Fund Cash Balance (30 September 2023) | A\$15.0m |

CD3 NTA + CUMULATIVE DISTRIBUTIONS^{1,2}

Post-quarter end, on 4 October 2023, the Fund announced a distribution of \$0.03 per Unit to Unitholders. This distribution was funded through the General Partner (GP) agreeing to reduce the remaining and prospective capital commitment of the Limited Partners, including the Fund, by US\$2.5 million. The Fund's share of this reduction in capital commitment was US\$1.8 million, and after accounting for operating and tax expenses, will fund this distribution to Unitholders.

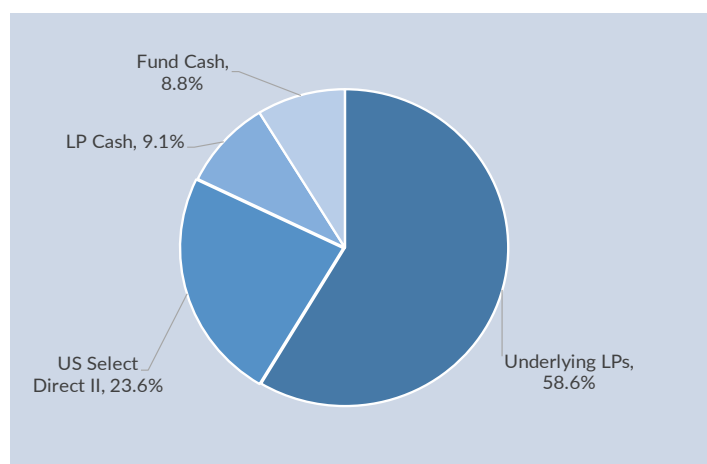
Following receipt of this distribution, on an absolute return basis, the Fund will have returned a total of \$1.69 to Unitholders since inception³, which is 1.06x original Unitholder investment⁴. Inclusive of the distributions paid (and declared), as well as the Fund's 30 September 2023 NTA^{1,2}, original Unitholders will have received a total return on initial investment (**TVPI**) of 2.31x since inception.



| | |
|--|-----------------|
| CD3 Original Unit Price | \$1.60 per Unit |
| CD3 Distributions Paid SWince Inception ^{1,3} | \$1.66 per Unit |
| CD3 30 September 2023 NTA (post-tax) | \$2.01 per Unit |

FUND'S INTEREST IN ASSETS OF THE LP (\$USD millions)^{1, 8, 9}

| | |
|--|----------------|
| LP Cash | \$10.0 |
| DFW Capital Partners V LP | \$2.5 |
| Elephant Partners I LP | \$6.1 |
| Encore Consumer Capital Partners III LP | \$4.8 |
| PeakSpan Capital | \$3.8 |
| Trive Capital Fund II LP | \$3.9 |
| Gemspring Capital | \$9.9 |
| Growth Street Partners | \$3.3 |
| Luminate Capital Partners | \$3.6 |
| Incline Equity Partners | \$4.5 |
| NMS Fund III LP | \$8.8 |
| Bertram Growth Capital III LP | \$4.1 |
| Telescope Partners I, LP | \$8.6 |
| Smartsheet Inc | \$0.3 |
| US Select Direct Private Equity Fund II LP | \$25.9 |
| Total | \$100.4 |



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

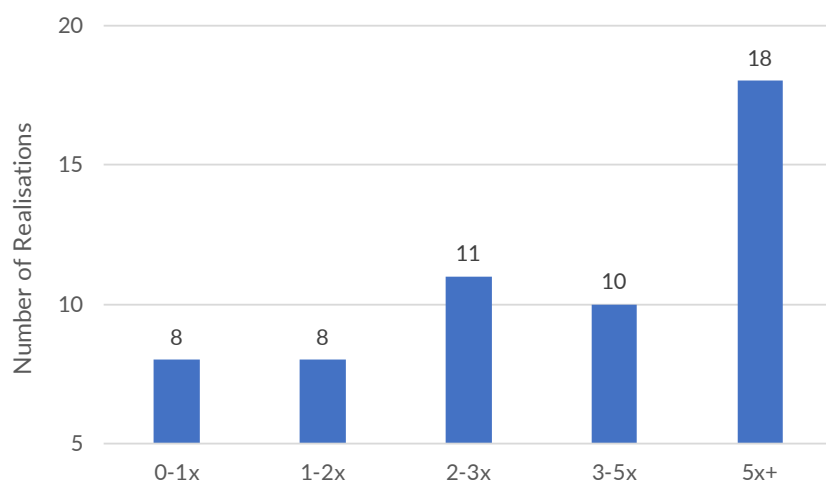
| | |
|--|--------|
| Fund's Remaining Commitment to LP3 | \$3.6 |
| LP3's Remaining Commitment to Underlying LPs | \$21.4 |

LP3 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 Elephant Partners I, LP) | Information Technology | \$9.1 | 6.9% |
| Company 2 (held by Telescope Partners I, LP) | Information Technology | \$6.7 | 5.0% |
| Company 3 (held by US Select Direct Private Equity II, LP) | Consumer Discretionary | \$4.6 | 3.4% |
| Company 4 (held by Encore Consumer Capital Partners III, LP) | Consumer Staples | \$4.2 | 3.2% |
| Company 5 (held by US Select Direct Private Equity II, LP) | Information Technology | \$4.0 | 3.0% |
| Company 6 (held by Gemspring Capital Fund I, LP) | Industrials | \$3.8 | 2.8% |
| Company 7 (held by US Select Direct Private Equity II, LP) | Information Technology | \$3.3 | 2.5% |
| Company 8 (held by US Select Direct Private Equity II, LP) | Consumer Staples | \$3.2 | 2.4% |
| Company 9 (held by US Select Direct Private Equity II, LP) | Information Technology | \$3.2 | 2.4% |
| Company 10 (held by Luminate Capital Partners, LP) | Information Technology | \$3.0 | 2.3% |
| LP Investment Total | | \$45.1 | |
| Total of LP Investment (%) | | 36% | |

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

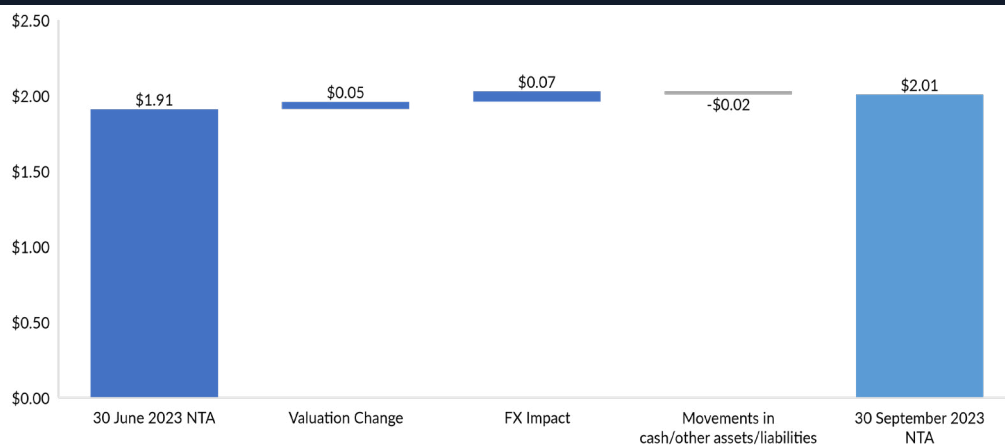


CD3 PERFORMANCE SUMMARY^{1, 2, 3, 4}

| | 1 MONTH | 6 MONTHS | 12 MONTHS | 3 YEARS | 5 YEARS | SINCE INCEPTION | IRR |
|------------|---------|----------|-----------|------------|------------|-----------------|------------|
| NTA RETURN | 0.0% | 2.8% | 1.7% | 29.3% p.a. | 22.0% p.a. | 15.4% p.a. | 14.1% p.a. |

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

CD3 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 CD3 was \$1.51 as of 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 2 (USD2).
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. These figures do not factor in the LP's accrued carried interest liability to the General Partner. The unaudited figure, as of 30 September 2023, is US\$18.1 million.
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.