



2024 Q2

QUARTERLY UPDATE

RELEASE DATE: 28 AUGUST 2024



# MARKET & FUND SERIES UPDATE

In the first half of 2024, the US private equity (PE) market exhibited positive trends amidst ongoing concerns about a growing backlog of assets. The small to mid-size PE segment, particularly relevant to the CD Fund Series, demonstrated a blend of cautious optimism and strategic recalibration.

Private equity managers, known for their long-term investment perspective, strategically time their asset sales. These exits are critical to the PE capital formation cycle, influencing distributions to limited partners (LPs) and impacting future fundraising, fund deployment, and overall performance.

As noted in previous reports, the persistent gap between buyer and seller valuations has slowed exit activity, with the exit-to-investment ratio dropping to a record low of 0.36x in Q1 2024<sup>10</sup>. While exit volumes remain below the peak levels of 2020 and 2021, Q2 2024 has seen a positive shift, marked by an increase in partial sales and minority stake rollovers.

Despite the prevailing market challenges, the CD Fund Series has shown resilience. The recent market uptick in exit activity and improvements in valuation multiples suggest a cautiously optimistic outlook. Several portfolio companies are currently in the pipeline for sale, with some having already signed Letters of Intent. These sales remain the key driver of our distributions to Unitholders, with A\$75 million distributed to Fund Series Unitholders since July 2023.

We look forward to sharing more details at our upcoming Investor Webinar on Friday, September 6th (details can be found [here](#)). As always, Unitholders may reach out to the Investor Relations team via email at [cdfunds@k2am.com.au](mailto:cdfunds@k2am.com.au) or by phone at (03) 9691 6110.

## FUND 4: QUARTERLY UPDATE

### 30 JUNE 2024: KEY STATISTICS

NTA per unit	Gross assets (million)	Quarterly NTA Return
\$2.03	A\$247.6	-1.9%

Q2 2024 Net Tangible Asset (NTA) movement is largely attributable to positive portfolio revaluations, which were mostly offset by the Australian dollar strengthening by 2.3% between 31 March 2024 and 30 June 2024.

The period ended **30 June 2024 (Q2 2024)** saw one additional portfolio company realisations for CD4, taking the year-to-date total to two realisations. We explore both of these realisations in greater detail on [Page 4](#).

Additionally, though the quarter was relatively quiet for realisations, the LP made payment of **US\$0.7m** in capital calls and received **US\$1.3m** in distributions. In addition to funding management fees and partnership expenses, these capital calls were to fund continued growth and liquidity for existing portfolio companies: [Amplio Learning Technologies](#), [Accelerate Learning](#), [MikMak](#) and [Login VSI](#). We provide more detail on Accelerate Learning, as well as two other portfolio companies, on [Page 5](#).

Finally, as most Investors may be aware, the [Low-Volume Market](#) has officially opened and we are pleased to be able to assist Unitholders transact within the parameters of the market. We are here to assist as required regarding this facility.

## NET TANGIBLE ASSET VALUE

We acknowledge that the Fund's underlying investments and their valuations are somewhat opaque due to our commitment to confidentiality with the underlying Managers. However, we want to emphasise that the Fund's Net Tangible Assets (NTA) is intended to be the most accurate reflection of the realisable value of individual investments in the current market.

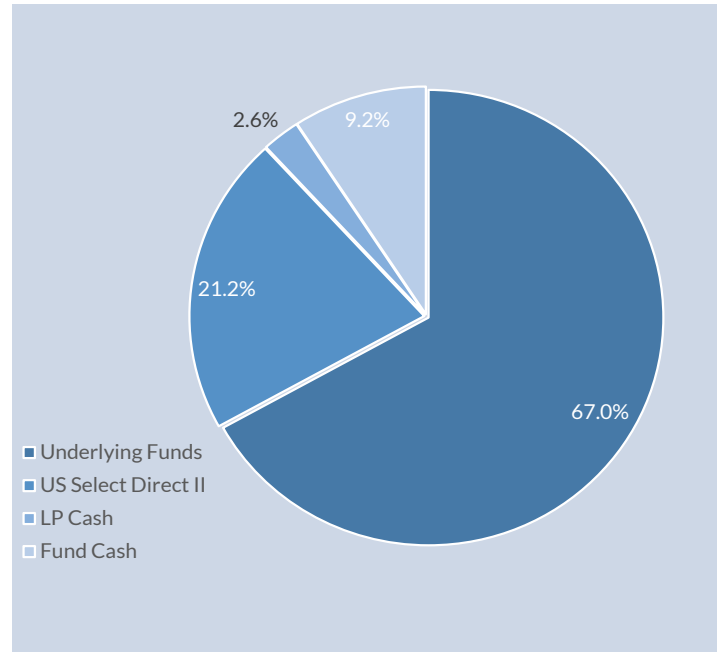
The NTA serves as a reliable measure of the Fund's value, employing various valuation techniques such as discounted cash flows, comparable companies, and EBITDA multiples<sup>11</sup>. These valuations are updated at least quarterly and are audited by independent parties throughout the year.

Private equity managers typically adopt a conservative approach to minimise significant valuation fluctuations, with an aim to realise investments at or above the current book value. This conservative approach is evidenced by the Fund's 26 realisations (including four realisations of zero value) from 2020 to date, recording an **average uplift of +46%** to the pre-sale valuation<sup>12</sup>, highlighting the inherent value within the portfolio.

Ultimately, K2 and the Manager maintain confidence in the robust valuation methods employed and the underlying fund managers desire to under-promise and over-deliver wherever possible. We demonstrate this graphically on [Page 3](#).

**PORTFOLIO COMPOSITION<sup>1, 5, 7, 8</sup>**

Inception Date	April 2018
CD4 Original Unit Price	\$1.60 per unit
CD4 Distributions Paid Since Inception	\$0.575 per unit
CD4 30 June 2024 NTA (post-tax)	\$2.03 per unit
CD4 Interest in LP4	88.37%
Total Underlying Funds (since inception)	12
Total Underlying Portfolio Companies (since inception)	141
Total Portfolio Company Realisations	26
Remaining Portfolio Companies	115
Median Gross MOIC on Realisations	3.1x
Average Hold Period of Remaining Investments	3.5 years
Fund Cash Balance <i>(inclusive of distributions not yet paid)</i>	A\$23.8m
Fund's Interest in LP Cash Balance <i>(inclusive of distributions not yet paid)</i>	US\$4.5m
Fund's Interest in Underlying Funds	US\$114.9m
Fund's Interest in US Select Direct II (USD2)	US\$36.4m

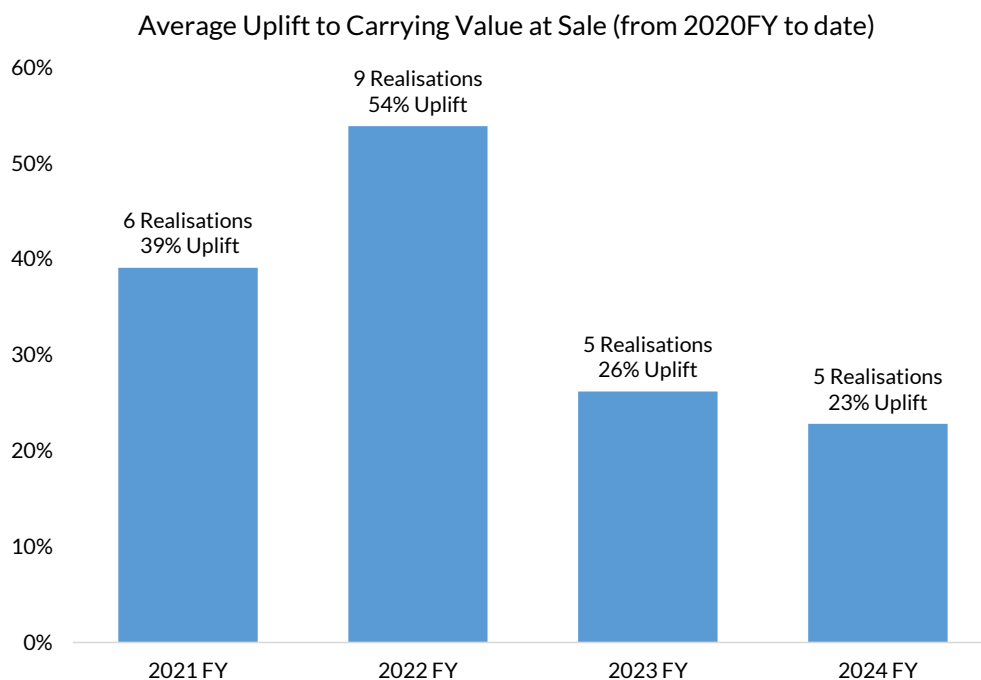


**FUND + LP OUTSTANDING CAPITAL COMMITMENTS  
(\$USD millions)<sup>1</sup>**

Fund's Remaining Commitment to LP4	US\$8.8m
LP4's Remaining Commitment to Underlying Funds <sup>9</sup>	US\$12.6m

The LP's remaining capital commitments are subject to change as allowed under the individual Limited Partnership Agreement (LPA). Though the remaining commitment will change with each capital call or distribution, it is the Manager's expectation that the underlying Funds will not call this full amount, and that any capital calls should be funded by distributions in the future.

**LP4: AVERAGE PORTFOLIO COMPANY UPLIFT AT SALE<sup>1, 5, 12</sup>**





## LP4 UNDERLYING PORTFOLIO<sup>1, 5, 7, 8</sup>

	TOTAL COMPANIES	TOTAL REALISATIONS	MEDIAN MULTIPLE ON INVESTED CAPITAL (MOIC)	REMAINING COMPANIES	AVERAGE HOLD PERIOD ON REMAINING COMPANIES	REMAINING VALUE (\$USD millions)
Fund 1	4	1	2.0x	3	4.9	\$9.15
Fund 2	7	3	3.3x	4	4.4	\$11.48
Fund 3	9	3	3.3x	6	4.9	\$16.96
Fund 4	6	1	5.0x	5	4.6	\$13.86
Fund 5	10	2	11.1x	8	2.7	\$12.51
Fund 6	10	3	0.0x	7	3.5	\$15.90
Fund 7	10	6	2.8x	4	4.4	\$2.37
Fund 8	29	1	0.0x	28	2.5	\$3.23
Fund 9	9	0	-	9	2.6	\$12.50
Fund 10	12	1	4.1x	11	3.8	\$10.94
Fund 11	10	1	2.4x	9	4.2	\$21.07
Fund 12	25	4	2.7x	21	3.9	\$41.14
<b>Total</b>	<b>141</b>	<b>26</b>	<b>3.5x</b>	<b>115</b>	<b>3.5 years</b>	<b>\$171.10</b>

Note: Remaining value is at the LP level.

## Q2 2024 PORTFOLIO REALISATIONS



### Status

[Realised \(2024\)](#)

### Initial Investment Date

2020

### Underlying Fund

Astra Partners I, LP

[Searchlight](#) is a UK based company founded to help solve a major problem: criminals acting with impunity on the dark web, and during the 3.5-year hold period, the Company was involved in some of the world's largest dark web investigations helping to prevent cybercrime. Since it was founded in 2017, Searchlight has supported some of the world's largest dark web investigations and helped prevent cyberattacks before they occur.

During the hold period of 3.5 years, the Astra team successfully partnered with Searchlight's founders to bring innovative dark web intelligence software to market and build a foundation for sustainable growth.



### Status

[Realised \(2024\)](#)

### Initial Investment Date

2018

### Underlying Fund

US Select Direct II (USDII)

Shorecal Limited, the largest Domino's franchise, operates 34 or the 99 stores in the Republic of Ireland and Northern Ireland. USDII first invested in the company in 2018, where the company operated 26 stores. The original investment premise was to continue to increase operations with a plan for up to 10-stores over the first five years as well as to increase profitability of the existing stores.

In March 2024, the company entered into a binding sale agreement with Domino's Pizza Group (DPG) for a total consideration of €72m (which was closed in April 2024). Shorecal's reported book value as of December 2022 was €54.3m.

## CD4 PERFORMANCE SUMMARY<sup>1, 2, 3, 4</sup>

	1 MONTH	6 MONTHS	12 MONTHS	3 YEARS	5 YEARS	SINCE INCEPTION	IRR
NTA RETURN	-0.5%	0.7%	-1.3%	11.0% p.a.	12.5% p.a.	11.8% p.a.	12.6% p.a.

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



[OSM Worldwide](#) is a logistics and transportation company that specialises in providing international shipping solutions. Their services are designed to streamline and optimise global shipping for businesses of various sizes.

**Status**

current portfolio company

**Initial Investment Date**

2019

**Underlying Fund**

Tower Arch Partners II, LP

Since 2018, OSM Worldwide has increased revenue by more than 510%. Over that same stretch, OSM Worldwide has expanded to five state-of-the-art facilities in the U.S., tripled its workforce, strategically added automation, and lowered the total cost per package to provide a competitive price with top shelf service.

**Recent company updates:** OSM Worldwide Continues Massive Growth on Heels of 20th Anniversary ([here](#)),



[Accelerate Learning](#) (Accelerate) is a provider of digital-first STEM curricula that focus on helping students develop problem-solving, innovation and critical thinking skills. Accelerate is a provider of digital-first STEM curricula that focus on helping students develop problem-solving, innovation and critical thinking skills.

**Status**

current portfolio company

**Initial Investment Date**

2018

**Underlying Fund**

Quad Partners V, LP

Recently, Accelerate has focused on advancing its educational resources, supporting educators through professional development, and expanding its influence within the educational sector.

The company also has received an additional investment led by Providence Equity Partners, a private equity firm focussed on growth-oriented media, communications, education and technology companies.

**Company news:** Providence Equity Partners major investment ([here](#)), Accelerate Learning appoints new CEO (2021: [here](#)).



[Provi](#) is the leading online ordering platform for the beverage alcohol industry, streamlining the beverage ordering process between retailers and distributors via its robust communication platform. Provi allows restaurants and bars to order all their beverages in one place, instead of ordering via phone or paper invoices from 8-20 distributors, which saves each on-premise establishment 20 staff hours per month on average.

**Status**

current portfolio company

**Initial Investment Date**

2019

**Underlying Fund**

Nosara I, LP

Uniquely, Provi is also the only company that has a complete picture of on-premise/retailer beverage data. In 2022, Provi joined forces with SevenFifty to provide a robust ecommerce marketplace and distributor tool-kit, aiming to streamline operations for licensed retailers, distributors and their sales representatives.

**Company news:** Provi welcomes new CFO ([here](#)), Provi welcomes new funding to take alcohol industry online (2021: [here](#)), Provi recognised as an 'emerging unicorn' ([here](#)).

# GLOSSARY AND NOTES

Source: E&P Investments Limited (for data before 4 July 2023) and K2 Asset Management Ltd (for data after 4 July 2023).

All figures are in AUD unless otherwise noted. Figures throughout the document may not sum due to rounding. AUD:USD 30 June 2024 spot rate of 0.6670 used.

1. Data is unaudited and is as at 30 June 2024.
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 June 2024 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 II (USD2).
6. Includes US Select Direct II (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 31 March 2024 valuations provided by the underlying GP's, adjusted for capital calls, distributions and foreign exchange movements over the period.
9. The Manager has confirmed that USD2's remaining callable capital has been excluded from this figure, as the Fund is well capitalised and any future expenses are anticipated to be covered by distributions.
10. Abbott Year End 2023 Private Equity Market Overview ([here](#)).
11. For further insights into the nuances of private equity valuations, Russell Investments has published a comprehensive analysis that you can read [here](#).
12. The uplift on exit compares the value received upon realisation against the investment's carrying value at the latest valuation which is unaffected by pricing effects arising from the sale of the asset (typically 6 to 12-months before a sale is agreed to). Data for realisations prior to 2020 was not available to the RE at the time of release.

## DEFINED TERMS

<b>Portfolio Company:</b>	A company that is an investment of the LP.
<b>MOIC:</b>	Multiple on Invested Capital. MOIC is calculated by dividing the fund's cumulative distributions and residual value by the paid-in capital.
<b>IRR:</b>	Internal Rate of Return. Performance of the fund(s) by taking into account the size and timing of its cash flows (capital calls and distributions) and the Fund's net asset value at the time of the calculation.
<b>TVPI:</b>	Total Value to Paid-in Capital.
<b>M&amp;A:</b>	Mergers & Acquisitions. Transactions in which the ownership of companies or their operating units – including all associated assets and liabilities – is transferred to another entity.
<b>VINTAGE:</b>	The year in which a private equity fund makes its first investment in the portfolio company.

**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 Ltd (K2) 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). K2 and the Manager have taken reasonable care to ensure that the information contained in this document is accurate at the date of publication. However, no warranty or guarantee (express or implied) is given by either party as to the accuracy of the information in this document, and to the extent permitted by applicable law, K2 and the Manager specifically disclaim any liability for errors, inaccuracies or omissions in this document and for any loss or damage resulting from its use.

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](http://cdfunds.com.au).

## INVESTMENT OBJECTIVES

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.

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.

## CORDISH EQUITY PARTNERS TEAM



**Jonathan Cordish**  
President  
Cordish Equity Partners



**Jonathan Sinex**  
Managing Director  
Cordish Equity Partners

## 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).