



RESPONSIBLE ENTITY
K2 ASSET MANAGEMENT LTD
(ACN 085 445 094)
(AFSL 244 393)

HALF-YEAR FINANCIAL REPORT

FOR THE HALF-YEAR ENDED
30 SEPTEMBER 2024

ARSN 612 132 813

CD Private Equity Fund III

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30 September 2024

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CD Private Equity Fund III
Report to unitholders
30 September 2024

Dear Unitholders,

We are pleased to present the half-year report for the CD Private Equity Fund III (**CD3** or **Fund**) for the period ended 30 September 2024 (**HY25**).

Financial Performance

Private equity markets are showing signs of recovery after a prolonged period of macroeconomic challenges that have impacted both private and public markets (excluding certain sectors like tech and AI) over the past 18 to 24 months.

During the six months ended 30 September 2024, the Fund's investment in the US Select Private Opportunities Fund III, L.P. (**LP**) saw a positive return of 3.73% in US dollar (**USD**) terms. However, the strengthening of the Australian dollar against the US dollar during this period negatively impacted the Fund's performance when translated into Australian dollars (**AUD**), the reporting currency. During the HY25 period, on a post-tax Net Tangible Asset Value (**NTA**) basis, the Fund posted a total return of -2.5%, resulting in a net loss of -\$1.29 million or -1.79 cents per Unit. This contrasts with a net profit of \$4.78 million or 6.64 cents per Unit for the same period last year.

As of 30 September 2024, the Fund had pre-tax net assets of \$127.16 million (equivalent to \$1.77 per Unit) and post-tax net assets of \$124.48 million (equivalent to \$1.73 per Unit).

Since inception, the Fund has returned \$1.909 per Unit in distributions, including \$0.07 per Unit paid to Unitholders in August 2024. This distribution was made following a review of the Fund's cash position and confirmation by the Manager that outstanding capital calls were unlikely to be fully called, thus releasing cash on balance sheet to Unitholders. On a longer-term basis, inclusive of these distributions and net of all fees, the Fund has generated a post-tax annual return of 13.2% p.a. since inception, has generated an Internal Rate of Return (**IRR**) of 13.1% p.a. and the Total Value to Paid-In Capital (**TVPI**) multiple is 2.27 times¹.

HY25 Results

The Australian dollar's appreciation against the US dollar during HY25 was a headwind for the Fund, with the exchange rate strengthening from 65.21 to 69.13 US cents. This resulted in an unrealised foreign currency translation loss of -\$7.04 million, which was reflected in the total fair value movement of the Fund. Fortunately, since the close of the period, the Australian dollar has weakened to 65.82 US cents at 31 October 2024, which should have a positive effect on the Fund's investments when measured in AUD. We've demonstrated this graphically below:



¹ The TVPI is calculated as the total distributions to Unitholders since inception plus the current net tangible asset value, divided by the original unitholder investment of \$1.60 per unit.

CD Private Equity Fund III
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While there was continued fragmentation across the Mergers & Acquisition (M&A) markets, which placed some negative pressure on some underlying portfolio valuations, during the half-year the Fund's US-dollar investment in the LP saw positive fair value movement on the underlying assets of US\$2.94 million, as outlined below.

Funds interest in the LP (71.219%)

Item	Amount (USD)	Amount (AUD)
Opening LP Value (1 April 2024)	\$78.78 million	\$120.80 million
Closing LP Value (30 September 2024)	\$81.72 million	\$118.21 million
Movement in Fair Value of Underlying Assets*	+\$2.94 million	-\$2.59 million

*Including distributions from the LP.

Despite the foreign currency translation headwind in HY25, which has largely reversed post-balance date, the Fund continues to hold a portfolio of high-quality assets, particularly in IT and software services. It is encouraging to see that the top 10 companies (by value) within the Fund's portfolio have shown solid growth over the past 12 months, even in the face of higher interest rates and cost of living pressures for consumers. We explore the 12-month valuations (in USD) change for the top 10 companies in our Q3 2024 report [here](#).

Outlook

As previously noted, the Fund's distributions will continue to be almost exclusively funded by the realisation of underlying portfolio companies. The past 18 months of high inflation, elevated interest rates, and geopolitical uncertainty have added pressure to the portfolio managers' ability to execute exits from their investments.

While the first part of the half-year remained relatively quiet, there was a notable resurgence in activity post 30 June 2024, driven by improving market sentiment and the valuation gap between buyers and sellers beginning to narrow, encouraging deal flow. In fact, during the half-year, the LP successfully realised two underlying portfolio companies — [Govenda](#) and Shorecal Limited— as well as receiving proceeds from a funding round at an increased valuation for [Engine](#) (formerly Hotel Engine). More details on these realisations can be found in our Q2 2024 report [here](#).

Cash and Distribution Outlook

During the half-year, the LP received seven distributions for a total of US\$3.30 million, as well as making net payment of 12 capital calls for a total of US\$0.07 million. The Manager remains optimistic that as interest rates ease in the coming quarters, the market will become more supportive of exit opportunities in 2025.

As mentioned in our full-year 2024 report, we will continue to review the Fund's and the LP's ability to distribute excess cash to Unitholders on a semi-annual basis, assuming no one-off events alter the distribution pattern. The Fund closed the half-year with A\$9.0 million in cash, and its share of the LP's cash balance was A\$8.18 million. This conservative approach to cash management is prudent and considers the anticipated expenses of the Fund, though we continually review the distribution methodology to challenge the Fund and the LP's cash balances (noting that the RE does not have control over the LP's cash management).

We remain committed to managing the Fund responsibly and transparently, and we encourage Unitholders to reach out with any questions or feedback. Our Investor Relations team is available at cdfunds@k2am.com.au or on +61 3 9691 6110. We would like to thank you once again for your continued engagement and we look forward to updating you on the Fund's progress throughout FY25.

Yours faithfully,



Hollie Wight

Managing Director, Head of RE & Trustee Services

28 November 2024

**CD Private Equity Fund III
Directors' report
30 September 2024**

The directors of K2 Asset Management Ltd, the Responsible Entity of the CD Private Equity Fund III (**Fund**), present their report together with the condensed financial statements of the Fund for the half-year ended 30 September 2024.

Directors

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

- Campbell Neal
- Hollie Wight
- George Boubouras
- Neil Sheather

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 loss for the Fund after providing for income tax amounted to \$1,290,354 (30 September 2023: profit of \$4,783,419).

The key components of this result was a \$629,978 fair value loss (30 September 2023: \$4,715,767 gain) incurred on the Fund's investment in the LP during the period. As at 30 September 2024, the Fund had net assets of \$124,479,371 (31 March 2024: \$130,811,714), representing \$1.73 per unit (31 March 2024: \$1.82 per unit).

The Fund has invested in a limited partnership, US Select Private Opportunities Fund III, L.P. (**LP**) which, in turn, invests in small-to-mid market private investment funds and companies. The LP has committed capital across 13 underlying private investment funds which focus on a range of industries including health care, business services, software businesses, and food and consumer products. For the half-year ended 30 September 2024, 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 period totalled US\$96.8 million.

The Fund has committed capital of US\$73.7 million, representing an interest of 71.2% in the LP. The Fund's proportionate share of the total capital called as at 30 September 2024 was US\$70.2 million (or \$101.5 million).

Distributions

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

	30 September 2024 \$	30 September 2023 \$
Distribution - 19 cents per unit paid on 22 June 2023	-	13,685,400
Distribution - 7 cents per unit paid on 5 August 2024	5,041,989	-
	<u>5,041,989</u>	<u>13,685,400</u>

Events subsequent to the reporting period

No matter or circumstance has arisen since 30 September 2024 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 III
Directors' report
30 September 2024

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

28 November 2024

28 November 2024

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

Dear Board Members

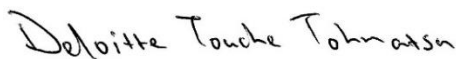
Auditor's Independence Declaration to CD Private Equity Fund III

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 III.

As lead audit partner for the review of the half year financial report of CD Private Equity Fund III for the half-year ended 30 September 2024, 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 III
Condensed statement of profit or loss and other comprehensive income
For the half-year ended 30 September 2024

	Note	30 September 2024 \$	30 September 2023 \$
Investment income			
Interest income		82,231	132,188
Foreign exchange (loss)/gain		(348,624)	114,886
Fair value movements of equity investments	4	<u>(629,978)</u>	<u>4,715,767</u>
Total investment (loss)/income		<u>(896,371)</u>	<u>4,962,841</u>
Expenses			
Management and administration fees	8	(255,055)	(307,720)
Listing fees		(34,142)	(30,852)
Custody fees		(11,021)	(14,287)
Registry fees		(18,048)	(25,944)
Legal and professional fees		(113,507)	(131,470)
Transaction costs		-	(10,595)
Other expenses		<u>(3,446)</u>	<u>(4,179)</u>
Total expenses		<u>(435,219)</u>	<u>(525,047)</u>
(Loss)/Profit before income tax benefit		(1,331,590)	4,437,794
Income tax benefit		<u>41,236</u>	<u>345,625</u>
(Loss)/Profit after income tax benefit for the half-year		(1,290,354)	4,783,419
Other comprehensive income for the half-year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive (loss)/profit for the half-year		<u><u>(1,290,354)</u></u>	<u><u>4,783,419</u></u>
		Cents	Cents
Basic (loss)/earnings per unit	3	(1.79)	6.64
Diluted (loss)/earnings per unit	3	(1.79)	6.64

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 III
Condensed statement of financial position
As at 30 September 2024

	30	31 March
Note	September 2024	2024
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	8,995,506	13,185,011
Receivables	25,510	25,656
Current tax assets	2,199,136	1,902,626
Prepayments	41,514	13,253
Total current assets	<u>11,261,666</u>	<u>15,126,546</u>
Non-current assets		
Other financial assets	4	<u>118,208,245</u>
Total non-current assets		<u>120,804,006</u>
	<u>118,208,245</u>	<u>120,804,006</u>
Total assets	<u>129,469,911</u>	<u>135,930,552</u>
Liabilities		
Current liabilities		
Trade and other payables	<u>112,378</u>	140,886
Total current liabilities	<u>112,378</u>	<u>140,886</u>
Non-current liabilities		
Deferred tax	5	<u>4,878,162</u>
Total non-current liabilities		<u>4,977,952</u>
	<u>4,878,162</u>	<u>4,977,952</u>
Total liabilities	<u>4,990,540</u>	<u>5,118,838</u>
Net assets	<u>124,479,371</u>	<u>130,811,714</u>
Equity		
Unit capital	6	109,672,616
Retained earnings		<u>14,806,755</u>
Total equity		<u>124,479,371</u>
		<u>130,811,714</u>

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

CD Private Equity Fund III
Condensed statement of changes in equity
For the half-year ended 30 September 2024

	Unit capital \$	Retained earnings \$	Total equity \$
Balance at 1 April 2023	109,672,616	45,544,796	155,217,412
Profit after income tax benefit for the half-year	-	4,783,419	4,783,419
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	4,783,419	4,783,419
<i>Transactions with unitholders in their capacity as unitholders:</i>			
Distributions paid (note 7)	-	(13,685,400)	(13,685,400)
Balance at 30 September 2023	<u>109,672,616</u>	<u>36,642,815</u>	<u>146,315,431</u>

	Unit capital \$	Retained earnings \$	Total equity \$
Balance at 1 April 2024	109,672,616	21,139,098	130,811,714
Loss after income tax benefit for the half-year	-	(1,290,354)	(1,290,354)
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive loss for the half-year	-	(1,290,354)	(1,290,354)
<i>Transactions with unitholders in their capacity as unitholders:</i>			
Distributions paid (note 7)	-	(5,041,989)	(5,041,989)
Balance at 30 September 2024	<u>109,672,616</u>	<u>14,806,755</u>	<u>124,479,371</u>

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

CD Private Equity Fund III
Condensed statement of cash flows
For the half-year ended 30 September 2024

	30 September 2024	30 September 2023
	\$	\$
Cash flows from operating activities		
Interest income received	86,382	132,955
Net payments to suppliers	(495,991)	(629,061)
Income tax paid	(51,805)	(508,475)
Net cash used in operating activities	<u>(461,414)</u>	<u>(1,004,581)</u>
Cash flows from investing activities		
Receipts from distributions	<u>1,822,604</u>	<u>-</u>
Net cash from investing activities	<u>1,822,604</u>	<u>-</u>
Cash flows from financing activities		
Payment for distribution	<u>(5,041,989)</u>	<u>(13,685,400)</u>
Net cash used in financing activities	<u>(5,041,989)</u>	<u>(13,685,400)</u>
Net decrease in cash and cash equivalents	(3,680,799)	(14,689,981)
Cash and cash equivalents at the beginning of the financial half-year	13,185,011	29,291,029
Effects of exchange rate changes on cash and cash equivalents	<u>(508,706)</u>	<u>388,620</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>8,995,506</u></u>	<u><u>14,989,668</u></u>

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

CD Private Equity Fund III
Notes to the condensed financial statements
30 September 2024

1. General information

CD Private Equity Fund III (**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 III, 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 28 November 2024.

(ii) Summary of material 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. The AUD:USD half-year exchange rate used is 0.6913.

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 III
Notes to the condensed financial statements
30 September 2024

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. (Loss)/earnings per unit

	30 September 2024	30 September 2023
	\$	\$
(Loss)/Profit after income tax	<u>(1,290,354)</u>	<u>4,783,419</u>
	Number	Number
Weighted average number of ordinary units used in calculating basic earnings per unit	<u>72,028,420</u>	<u>72,028,420</u>
Weighted average number of ordinary units used in calculating diluted earnings per unit	<u>72,028,420</u>	<u>72,028,420</u>
	Cents	Cents
Basic (loss)/earnings per unit	(1.79)	6.64
Diluted (loss)/earnings per unit	(1.79)	6.64

4. Non-current assets - other financial assets

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

	30 September 2024	31 March 2024
	\$	\$
US Select Private Opportunities Fund III, LP (LP)	<u>118,208,245</u>	<u>120,804,006</u>

	30 September 2024	31 March 2024
	\$	\$
(ii) Reconciliation		
Balance at the beginning of the period	120,804,006	133,124,884
Movement in fair value through profit or loss*	(629,978)	2,300,503
Distributions received from LP^	<u>(1,965,783)</u>	<u>(14,621,381)</u>
Balance at the end of the period	<u>118,208,245</u>	<u>120,804,006</u>

* Included in the 'movement in fair value' amount of \$629,978 loss (year ended 31 March 2024: \$2,300,503 gain) is an unrealised foreign exchange translation loss component of \$7,040,599 (year ended 31 March 2024: \$2,910,894 gain). This amount is also net of the Fund's 71.2% share of management fees paid by the LP to the General Partner of the LP, totalling \$567,886 (year ended 31 March 2024: \$1,139,949) and performance fees accrued by the LP to the GP, totalling \$12,835,062 (year ended 31 March 2024: \$13,493,856) (refer to note 8).

CD Private Equity Fund III
Notes to the condensed financial statements
30 September 2024

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

^Net distribution received from LP include offsetting of the Fund's US tax obligations of \$133,393 (US\$90,314) (year ended 31 March 2024: \$3,162,632 (US\$2,138,715)) on behalf of the Fund, contributing to a reduction in the Fund's current tax liability, resulting in a net current tax asset at balance date.

(iii) Fund's interest in assets and liabilities of LP

The 71.2% 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 71.2% interest in US Select Private Opportunities Fund III, L.P. at 30 September 2024 is represented by its proportionate interest in the LP's assets and liabilities as follows:

	30 September 2024 \$	31 March 2024 \$
Cash	8,181,910	8,670,814
Investment in US private investment funds recorded at fair value:		
DFW Capital Partners V, LP	3,852,254	3,365,331
Elephant Partners I, LP	7,851,138	8,742,305
Encore Consumer Capital Fund III, LP	8,920,062	8,667,462
Gemspring Capital Fund I, LP	6,670,400	9,022,999
Growth Street Partners I, LP	5,989,985	5,647,886
Incline Equity Partners IV, LP	5,173,781	4,618,781
Luminate Capital Partners LP	4,504,240	5,612,355
NMS Fund III, LP	11,871,166	13,505,486
PeakSpan Capital Growth Partners I, LP	5,923,805	5,357,921
Smartsheet Inc	662,826	488,919
Telescope Partners I, LP	14,675,591	13,422,998
Trive Capital Fund II, LP	5,640,950	4,831,103
Bertram Growth Capital III, LP	4,664,405	4,890,290
US Select Direct Private Equity II, LP	36,460,794	37,518,214
Due to Gemspring Capital Fund I LP	-	(65,002)
Accrued performance fees	<u>(12,835,062)</u>	<u>(13,493,856)</u>
Net assets*	<u><u>118,208,245</u></u>	<u><u>120,804,006</u></u>

*Included in the net assets of \$118,208,245 (31 March 2024: \$120,804,006) are investments in US private investment funds of \$122,861,397 (31 March 2024: \$125,692,050).

(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 71.2% interest held in the total net asset value of the LP.

CD Private Equity Fund III
Notes to the condensed financial statements
30 September 2024

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 2024 adjusted for any material changes to those valuations to reflect movements to 30 September 2024, 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 \$6,143,070 (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 \$6,072,471. Conversely, a 5% decrease would increase the value of the Fund's investment by \$5,731,295. 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 2024, the Fund has made capital commitments totalling US\$73.7 million to the LP, of which US\$70.2 million has been called at balance date.

As at 30 September 2024, the Fund has uncalled capital commitments of US\$3.6 million (or \$5.2 million) outstanding to the LP. The capital commitments can be called at any time in the future.

The uncalled capital commitments referred to above were converted at the half-year end AUD:USD exchange rate of 0.6913.

CD Private Equity Fund III
Notes to the condensed financial statements
30 September 2024

5. Non-current liabilities - deferred tax

	30 September 2024	31 March 2024
	\$	\$
Deferred tax liability	<u>4,878,162</u>	<u>4,977,952</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 the realisation of certain underlying private equity investments that the Fund has an interest in.

Through the Fund's investment in the LP, it is anticipated that the Fund will be treated as directly or indirectly engaged in a trade or business in the US and will likely generate income that is effectively connected with the US. The Fund will be required to file a US federal corporate income tax return and pay US federal income tax on a net basis (at the same rates that are generally applicable to US corporations, currently 21%) in respect of its share of Effectively Connected Income (**ECI**) derived from that trade or business. Additionally, the Fund may also be required to pay Branch Profits Tax at a rate of 5% pursuant to the Double Tax Treaty for certain qualified tax residents.

As at 30 September 2024, the deferred tax liability has been measured at an effective rate on estimated ECI of 24.95% incorporating both corporate and branch profit taxes. 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 2024	31 March 2024	30 September 2024	31 March 2024
	Units	Units	\$	\$
Ordinary units - fully paid	<u>72,028,420</u>	<u>72,028,420</u>	<u>109,672,616</u>	<u>109,672,616</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.

There were no movements in unit capital during the half-year and previous year.

7. Equity - distributions

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

	30 September 2024	30 September 2023
	\$	\$
Distribution - 7 cents per unit paid on 5 August 2024	5,041,989	-
Distribution - 19 cents per unit paid on 22 June 2023	-	13,685,400
	<u>5,041,989</u>	<u>13,685,400</u>

CD Private Equity Fund III
Notes to the condensed financial statements
30 September 2024

8. Related party disclosures

Key management personnel

Campbell Neal, Hollie Wight, George Boubouras, Neil Sheather are directors of the Responsible Entity, K2 Asset Management Ltd, and are deemed to be key management personnel.

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

Management fees

The Responsible Entity's duties include establishing the Fund's compliance plan and procedures and monitoring against regulatory and legislative requirements, the issuance of disclosure documents, the appointment and monitoring of external service providers to the Fund and overall administration of the Fund.

For these services, the Responsible Entity charged management fees of 0.275% 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 of 0.225% per annum. Management fees are paid to the Responsible Entity monthly in advance.

The total management fees paid to the Responsible Entity for the half-year ended 30 September 2024 was \$185,243, exclusive of GST (2023: \$235,659, exclusive of GST, which comprised of \$109,421 paid to the Responsible Entity and \$126,238 paid to the former Responsible Entity based on management fees totalling 0.33% per annum). There were no outstanding management fees as at 30 September 2024 (2023: \$nil).

K2 Asset Management Ltd, provides fund administration services to the Fund under an agreement with the Responsible Entity. These services include net asset valuation, management accounting, statutory reporting, capital management and taxation. Total fund administration fees paid or payable for the half-year ended 30 September 2024 were \$60,000, exclusive of GST (2023: \$60,000, exclusive of GST, which comprised of \$30,000 paid to K2 Asset Management Ltd and \$30,000 paid to Australian Fund Accounting Services Pty Limited, a wholly-owned subsidiary of E&P Financial Group Limited, the parent of the former Responsible Entity under a service agreement which ceased on 3 July 2023).

Investment manager fee

US Select Private Opportunities Fund III, L.P. (**LP**), in which the Fund holds an 71.2% interest, is required to pay its Investment Manager, US Select Private Opportunities Fund III, 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 1% 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 total fees paid or payable during the half-year ended to 30 September 2024 amounted to \$797,593 (US\$530,018) (2023: \$794,774 (US\$525,618)). The Fund's 71.2% interest equates to \$567,886 (2023: \$565,879). This fee is recorded in the books of the LP.

The GP is also entitled to a performance fee of 10% of the return achieved by the LP above invested capital once a cumulative, non-compounded, pre-tax return of 8% per annum (**Hurdle Rate**) on all capital contributed to the LP and not yet returned by distribution to the limited partners. The Hurdle Rate references to the LP, not the Fund level, and is denominated in US dollars. The performance fees will only be paid following the limited partners' actual receipt of invested capital and once the Hurdle Rate is achieved, through distribution of income and capital by the LP.

For the half-year ended 30 September 2024, US\$16,457,756 (2023: US\$16,339,869) was accrued as performance fees. The Fund's interest equates to \$12,835,062 (US\$8,872,878) (2023: \$18,102,342 (US\$11,648,857)). This fee is accrued in the books of the LP.

The performance fee has been earned by the GP as the Hurdle Rate was achieved during the prior year ended 31 March 2024. There were no performance fee payments to the GP during the half-year ended 30 September 2024. Future distributions from the LP will continue to be split 10% to the GP and 90% to the limited partners, including the Fund, until the performance fee is extinguished.

CD Private Equity Fund III
Notes to the condensed financial statements
30 September 2024

8. Related party disclosures (continued)

US Select Direct Private Equity II, L.P.

At balance date, the Fund's share of the LP's investment in US Select Direct Private Equity II, L.P. was \$36,460,794 (US\$25,205,347) (31 March 2024: \$37,518,214 (US\$24,465,627)). The General Partner of this investment is associated with the former Responsible Entity of the Fund.

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 during the reporting period. There is no mark-up or charge to the Fund for being provided this service. The Fund only incurs the costs directly attributable to the work performed for it by the supplier, as if it had contracted with that provider individually.

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 2024				
<i>Financial assets carried at fair value</i>				
Other financial assets - equity investment constituting interest in US Select Private Opportunities Fund III, LP	-	-	118,208,245	118,208,245
Total assets	-	-	118,208,245	118,208,245
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
31 March 2024				
<i>Financial assets carried at fair value</i>				
Other financial assets - equity investment constituting interest in US Select Private Opportunities Fund III, LP	-	-	120,804,006	120,804,006
Total assets	-	-	120,804,006	120,804,006

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 2024.

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).

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.

CD Private Equity Fund III
Notes to the condensed financial statements
30 September 2024

10. Events after the reporting period

No matter or circumstance has arisen since 30 September 2024 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 III
Directors' declaration
30 September 2024

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 2024 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

28 November 2024

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

Conclusion

We have reviewed the half-year financial report of CD Private Equity Fund III (the "Fund"), which comprises the condensed statement of financial position as at 30 September 2024, 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 to the financial statements, including material accounting policy information 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 2024 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.

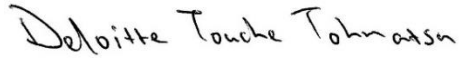
Directors' Responsibilities for the Half-year Financial Report

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 2024 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



Carlo Pasqualini
Partner
Chartered Accountants

Sydney, 28 November 2024

**CD Private Equity Fund III
Directory
30 September 2024**

The Fund's units are quoted on the official list of Australian Securities Exchange (**ASX**).
The ASX code is **CD3**.

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