

## US SELECT PRIVATE OPPORTUNITIES FUND II (FUND) QUARTERLY UPDATE FOR PERIOD ENDING 31 MARCH 2015

ASX: USG

### Private investment market commentary

Q1 2015 saw continued improvement in the US economy with unemployment below 6% for the first time since July 2008 and increasing business investment figures. Although GDP growth finishing 2014 at 2.2%, stronger figures are forecast in 2015 (5% to 6%), pointing towards an accelerating economy.

During the quarter, 634 deals were completed in the US exceeding US\$100 billion; however this represented a 30% decrease in deal count and 26% decrease in capital from the same period last year.

Our underlying managers' average Earnings Before Interest, Tax and Depreciation (EBITDA) multiple is significantly below the industry average and 40% below public markets, as calculated by the S&P 500 Index. While we are early in the private investment cycle, it is encouraging to see our underlying managers' abilities to acquire quality assets at reasonable valuations and progress continuously across the portfolio. We believe the Fund is well positioned for growth and valuation creation in its underlying investments.

### Fund activity and portfolio

#### FUND UPDATE

The estimated unaudited net tangible asset value before withholding tax on unpaid distributions at 31 March 2015 was \$2.13\* per unit (31 December 2014 was \$1.92\* per unit).

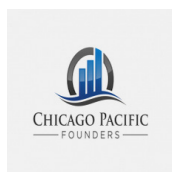
During the quarter, US Select Private Opportunities Fund II, L.P. (LP) made a US\$7.5 million capital commitment to Main Post Growth Capital, L.P. (see next page for more information). Inclusive of this, the Fund is now committed to 12 private investment funds all focused on small-to-mid-market private investment opportunities, for a total consideration of US\$98.0 million.

The LP also made a US\$10 million capital call to fund investment and operating expenses. At 31 March 2015, US\$44.9 million (or 47.3% of total funds committed to the LP) had been called. The Fund's proportionate share of this is approximately US\$39.2 million (an 87.3% share).

During the quarter, the LP received 11 drawdown requests and two capital returns for a total net consideration of US\$5.1 million. At 31 March 2015, net drawdown requests from underlying investments were approximately US\$30.0 million (or 31.6% of total commitments).

\*Source: Walsh & Company Investments Limited. Historical performance is not a guarantee of the future performance of the Fund.

## NEW FUND COMMITMENTS



### Main Post Growth Capital, L.P.

The LP made a US\$7.5 million capital commitment to Main Post Growth Capital, L.P. (Main Post). Headquartered in San Francisco, California, Main Post is a private investment fund that invests in lower middle market growth companies in the consumer, business services and industrial growth sectors. Main post will make investments ranging from US\$20 to US\$60 million in companies located primarily in the US.

## SUMMARY OF THE UNDERLYING FUNDS AT 31 MARCH 2015

UNDERLYING FUND	INDUSTRY FOCUS	LP COMMITMENT (US\$ MILLION) <sup>1</sup>	NET LP CAPITAL DRAWDOWN (US\$ MILLION)
<b>Blue Point Capital Partners III, L.P.</b>	Invests in lower middle-market engineering, industrial and distribution companies	\$5.0	\$1.2
<b>Chicago Pacific Founders Fund, L.P.</b>	Invests in healthcare service delivery and senior living companies.	\$7.5	\$1.3
<b>DFW Capital Partners IV, L.P.</b>	Acquires companies exclusively in the lower middle-market	\$5.0	\$2.2
<b>High Road Capital Partners Fund II, L.P.</b>	Buying and building leading companies at the smaller end of the middle-market	\$7.5	\$2.0
<b>Main Post Growth Capital, L.P.</b>	Invests in lower middle-market growth companies in the consumer, business services and industrial growth sectors	\$7.5	\$0.0
<b>NMS Fund II, L.P.</b>	Healthcare, consumer products and specialised business services	\$6.5	\$1.0
<b>RFE Investment Partners VIII, L.P.</b>	Small market buyouts of companies in market leading positions	\$8.0	\$4.3
<b>Staple Street Capital Partners II, L.P.</b>	Invests in lower middle market companies with operational, balance sheet or process complexities	\$8.0	\$0.0
<b>Tengram Capital Partners Gen2 Fund, L.P.</b>	Branded consumer product and retail sectors	\$10.0	\$6.7
<b>Tower Arch Partners I, L.P.</b>	Invests in high-quality family and entrepreneur-owned companies	\$8.0	\$0.9
<b>Trive Capital Fund I, L.P.</b>	Strategically viable, but under-resourced, middle-market companies	\$10.0	\$3.7
<b>U.S. Select Direct Private Equity (US), LP</b>	Invests in a direct portfolio of select private companies alongside leading, specialist private investment funds	\$15.0	\$6.8
		<b>\$98.0</b>	<b>\$30.0</b>

Note 1: The Fund has an 87.3% interest in the LP. Cordish Private Ventures and US Select Private Opportunities Fund II GP, LLC, contributed the remaining amount based on their proportional shares. Numbers may not add up due to rounding.

## Underlying fund activity

**Chicago Pacific Founders Fund, L.P. (Chicago Pacific)** In February, Chicago Pacific made a capital call to fund investments in their existing platform business, CPF Living Communities. CPF Living Communities is an owner and operator of independent, assisted living communities throughout the US. The company is led by CEO and Chairman, John Rijos, who spent over 15 years as President and COO at Brookdale Senior Living, the largest operator of senior living communities in the US. CPF Living Communities has completed two community acquisitions as well as a leading senior living management company. The Company has an active pipeline of potential acquisition targets, up to US\$200 million of equity earmarked for investment over a four year period.

Chicago Pacific also made a capital call to launch a Dental Practice Management platform called CPF Dental Holdings, LLC. CPF is backing two seasoned executives with an equity commitment of US\$35 million to launch a dental services organisation targeting the mid west. CPF identified the dental market as an area of interest through top-down thesis exploration and extensive research. The launch of this platform is the result of over a year's hard work from their team. Consistent with our senior living investment thesis, this is a 'proven operator, proven model' strategy. The CEO and COO have extensive experience working in private-equity backed dental services organisations, generating tremendous value for their shareholders. Initial equity will be used to fund the team and provide a bridge to the first acquisition.

**High Road Capital Partners Fund II, L.P. (High Road)** In January, High Road acquired York Wallcoverings (York). Founded in 1895, York is one of the largest wallpaper manufacturers in the US with a portfolio of proprietary and licensed brands serving residential and commercial markets globally. In addition to traditional wallpaper, York has divisions that design and sell peel-and-stick removable and reusable wall decals, with proprietary patterns and licensed artwork from large entertainment brands. (<http://www.yorkwall.com/>)

**Tower Arch Partners I, L.P. (Tower Arch)** In March, Tower Arch called capital to fund its investment in Hard Rock Directional Drilling, LLC. Tower Arch made the investment in September 2014 and initially funded the acquisition with its line of credit. This capital call is to repay the line with permanent fund equity. HardRock is a San Antonio, Texas-based specialty-boring and services company primarily serving the energy industry. HardRock is the partner of choice for energy and pipeline companies looking for safe, on-time performance.

**U.S. Select Direct Private Equity (US), LP (US Direct)** In February, US Direct invested in Paint Nite, LLC. Paint Nite is a group events business primarily focused on organising social painting events in markets throughout the US. US Direct partnered with Highland Consumer Fund, a consumer-focused private equity firm based in Cambridge Massachusetts to acquire a minority interest in the business. ([www.paintnite.com](http://www.paintnite.com))

In March, US Direct invested in AFC Holding Company. AFC is an industrial distributor and provider of inventory management services for "C-Parts" used by OEMs in their production assembly process. ([www.afcholdings.com/](http://www.afcholdings.com/))

## About the Fund

US Select Private Opportunities Fund II (Fund) was formed in February 2013 to invest in US Select Private Opportunities Fund II, L.P. (LP). The Fund invests in the LP in partnership with Cordish Private Ventures, LLC, the private investment arm of the Cordish family of Baltimore, Maryland, USA.

The Fund pursues a fund-of-funds strategy, investing as a limited partner in small-to-medium sized private investment funds in the United States, using the experience and relationships of the Cordish family in that market. The Fund represents a unique vehicle for Australian retail investors to access attractive small, nimble US private investment funds that have historically outperformed their larger counterparts.

The underlying fund managers are focused on proven investment strategies in specialised areas. They pursue investments in operating businesses with proven revenues and operating profits, take a hands-on approach to their investments in those businesses and employ moderate and judicious amounts of leverage.