



2024 Q3

QUARTERLY UPDATE

ASX RELEASE DATE: 6 NOVEMBER 2024



MARKET & FUND SERIES UPDATE

The private equity (PE) market is witnessing a significant rebound, with a resurgence in activity boosted by improved market sentiment with the valuation gap between buyers and sellers finally starting to narrow. During the quarter ended 30 September 2024, there was a worldwide 36% rise in deal value year-to-date (YTD) compared to Q3 2023, and more specifically a 23% increase YTD for the US-market. Q3 2024 also marked the most active period for PE since the onset of market volatility two years ago, and in the third quarter, 135 major deals were announced globally: a slight decline in value but maintaining positive momentum from the previous quarter.

Impressive upticks in PE deal volume include leveraged buy-out loans (excluding add-ons) increasing by 28% year-on-year (YOY), add-on acquisitions increasing by 14% YOY and growth equity/expansion deals up 32% YTD. The favourable conditions in financing markets are believed to be driving this increase in deal activity, with traditional lenders back in the market and beginning to compete with private credit funds for opportunities, supported by a growing risk appetite and advantageous loan conditions.

Technology continues to be a star in the market, with the quarters' deal value up 28% YOY to US\$133.8 billion, which is also an increase of 17% by number. These improvements show that PE Managers are putting capital to work in anticipation of a better interest rate environment in the next 12 months. Notable tech deals such as Blackstone's US\$16 billion acquisition of the [Australian start-up Airtrunk](#) highlight the technology sector's appeal, driven by ongoing trends in cloud migration and the data demands of AI. Relevantly, toward the end of the quarter it was announced that Smartsheet (a direct portfolio company of CD3), a collaborative work management software platform, agreed to be [taken private for US\\$8.4 billion](#). The all-cash transaction will yield Smartsheet holders \$56.50 per share, approximately a 41% premium to the volume-weighted average closing price 90 days prior to media reports about a possible transaction.

Looking ahead, expectations for ongoing growth in the PE market are encouraged by anticipated U.S. rate cuts, which could reduce capital costs and boost confidence in valuations. As it relates to the US election, [Pitchbook](#) have found that M&A historically does not shut down

in the preceding or following weeks of the election (like the IPO market can), and there is thought that any election risks have been factored in many months ago. Postponed deals may cause a post-election bump in December, combined with the predicted third interest rate cut and a fruitful fourth quarter.

While this all can take time to flow through the market, we are pleased to have seen increased activity across the Fund Series during the quarter, with five realisations representing a total return of US\$12.14m to the four LPs. We look forward to Q4 2024 and hope that the Fund Series can continue to see a steady increase in the rate of realisations and onwards distributions to Unitholders in early 2025.

As always, we thank you for your support and your continued interest in the portfolios. Unitholders may reach out to the Investor Relations team via email at cdfunds@k2am.com.au or by phone at (03) 9691 6110.

FUND 1: QUARTERLY UPDATE

30 SEPTEMBER 2024: KEY STATISTICS		
NTA per unit	Gross assets (million)	Quarterly NTA Return
\$0.92 post-tax	A\$34.3	-8.0%

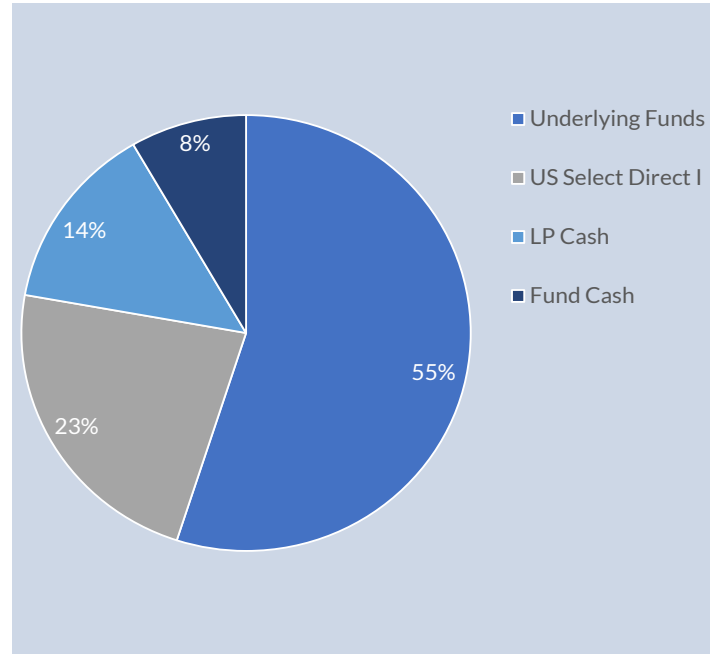
Net Tangible Asset (NTA) movement for the quarter is attributable to foreign exchange, with the Australian dollar strengthening (a negative impact for the Fund) by 3.6% between 30 June 2024 and 30 September 2024. Additionally, there were a number of negative portfolio valuations adopted across the underlying funds.

The period ended 30 September 2024 (Q3 2024) saw **two portfolio company realisations** for CD1, resulting in the receipt of **US\$2.6m** in distributions. We explore these realisations, and the sales pipeline further on [Page 4](#). There was minimal other activity during the quarter, with the LP not incurring any capital calls.

Investors will once again find a summary of a number of the Fund's portfolio companies, Full Sail, EventLink and GetixHealth, including some recent updates on each on [Page 5](#).

PORTFOLIO COMPOSITION^{1, 5, 7, 8}

Inception Date	Aug 2012
CD1 Original Unit Price	\$1.60 per Unit
CD1 Distributions Paid Since Inception	\$2.82 per Unit
CD1 30 September 2024 NTA (post-tax)	\$0.92 per Unit
CD1 Interest in LP1	85.53%
Total Underlying Funds (since inception)	9
Total Underlying Portfolio Companies (since inception)	96
Total Portfolio Company Realisations	73
Remaining Portfolio Companies ¹³	23
Median Gross MOIC on Realisations	2.6x
Average Hold Period of Remaining Investments	8.4 years
Fund Cash Balance	A\$2.8
Fund's Interest in LP Cash Balance	US\$3.2m
Fund's Interest in Underlying Funds	US\$12.8m
Fund's Interest in US Select Direct I (USD1)	US\$5.3m



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

Fund's Remaining Commitment to LP1	-
LP1's Remaining Commitment to Underlying Funds ⁹	US\$5.6m

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.

LP1 UNDERLYING PORTFOLIO^{1, 5, 7, 8}

	TOTAL COMPANIES	TOTAL REALISATIONS	MEDIAN MULTIPLE ON INVESTED CAPITAL (MOIC)	REMAINING COMPANIES	AVERAGE HOLD PERIOD ON REMAINING COMPANIES	REMAINING VALUE (\$USD millions)	QUARTERLY MOVEMENT (EXCLUDING REALISATIONS) (\$USD millions)
Fund 1	12	8	1.7x	4	8.5 years	\$3.45	-\$0.38
Fund 2	7	6	3.0x	1	7.3 years	\$1.22	-\$0.02
Fund 3	12	11	3.3x	1	6.0 years	\$0.03	\$0.00
Fund 4	9	7	0.0x	2	9.9 years	\$5.36	\$0.08
Fund 5	17	11	3.5x	6	7.9 years	\$4.16	-\$0.98
Fund 6	16	12	2.4x	4	9.3 years	\$0.72	-\$0.01
Fund 7	15	10	1.9x	5	8.3 years	\$6.19	-\$0.07
Total	88	63	2.6x	23	8.4 years	\$21.13	-\$1.39
LP Cash Balance						\$3.75	+\$2.61

Note: Table excludes two funds which have no remaining assets but represent 8 portfolio company realisations. Remaining value is at the LP level. Cash balance has increased as a result of recent portfolio company realisations.

LP1 QUARTERLY REALISATIONS¹



During the quarter, the LP was informed of the full-exit of Novatech, which was an underlying portfolio company of Trivest Partners Fund V, LP (**Trivest**). Novatech is an award-winning provider of business technology solutions, specialising in Managed Office Services that streamline technology for businesses nationwide. The LP received a distribution of US\$2.5 million because of this sale, with some additional proceeds held back in escrow post-closing (with receipt expected during 2025). Trivest first invested in the business in 2017 and during the hold period they were able to complete 13 add-on acquisitions which were all accretive to earnings of the business.

Status

Realised (2024)

Initial Investment Date

2017

Underlying Fund

Trivest Fund V

Additionally, Trivest were able to assist in appointing a world-class CEO, re-branding the business, expand the company's market and assisting the company to diversify their vendor base to weather market conditions. The realisation was ultimately successful for the Fund, as well as being at an uplift of over 25% on the 31 December 2023 valuation.



During the month, the LP was informed of the full-exit of Quinoa Corporation (doing business as Ancient Harvest and Pamela's) which was an underlying portfolio company of Encore Consumer Capital Fund II, LP (Encore). Founded in 1983, Ancient Harvest pioneered the sale of quinoa in the U.S. and continues to be a leading brand for plant-based products including gluten-free pasta, polenta and quinoa. Founded in 1988 and acquired by Quinoa Corporation in 2019, Pamela's offers gluten-free baking mixes and baked goods.

Status

Realised (2024)

Initial Investment Date

2012

Underlying Fund

Encore Consumer Capital

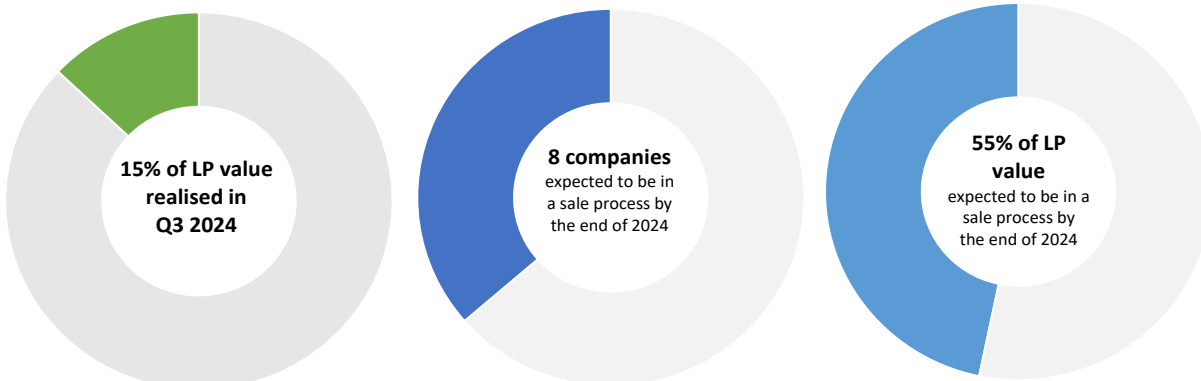
Encore first invested in the business in 2012, and the distribution will come in two parts with an escrow held until December 2025 at the latest. The total realisation was substantial uplift on the holding value of the company at 31 March 2024 however it was a more muted result overall.

LP1 REALISATION PIPELINE¹

We are pleased to report that the two realisations during Q3 2024 represented 16% of the LP's value.

As guided in Q2 2024, we expect that the sales pipeline will continue to evolve over the next 12-months as wider market conditions improve, organic sales opportunities present themselves, and companies reach a mature stage for a productive realisation. Additionally, as interest rates ease, the GP will continue to explore options around a portfolio sale as valuations improve and the potential discount to an asset-by-asset sale may decrease.

In the meantime, the below realisation pipeline shows that 55% of the LP value is expected to be in a sale process by the end of the year. The sale process can involve having a signed Letter of Intent or appointing an advisor to begin marketing the asset for sale.



**Status**

current portfolio company

Initial Investment Date
2015

[Full Sail Brewing Company](#) is an independent craft brewery based in Hood River, Oregon. Founded in 1987, Full Sail was the first commercially successful craft brewery to bottle beer in the Pacific Northwest for retail sale, and one of Oregon's early microbreweries. Based upon beer sales volume, Full Sail is the ninth largest craft brewery in the United States, the second largest craft brewer in Oregon, and the seventeenth largest brewery in the United States.

Encore Consumer Capital first invested in the company in 2015, and in the last 12-months has also become a contract packer of hard seltzer and other beverages which has proved a successful pivot for the business.

Recent company updates: Full Sail appoints VP of Brewery Operations ([here](#)).

**Status**

current portfolio company

Initial Investment Date
2017

[EventLink](#) is a leading provider of experiential marketing services and has built a reputation for creating and executing some of the most logistically challenging marketing events in North America. Through a relentless focus on customer service and a dedication to delivering measurable returns, EventLink has developed strong relationships with customers such as BMW, Wunderman and the Navy Partnership, Blue Cross Blue Shield of Michigan and General Motors.

Fort Point Capital first invested in 2017, and they have now completed three add-on acquisitions to compliment the existing business and grow the customer base.

Recent company updates: EventLink Acquires Clamor: 2023 ([here](#))

**Status**

current portfolio company

Initial Investment Date
2015

[GetixHealth](#) is a healthcare technology and services company focused on enhancing the revenue cycle management (RCM) process for healthcare providers. By leveraging innovative solutions and advanced analytics, GetixHealth aims to optimise financial performance and streamline operations for hospitals, clinics, and other healthcare organisations.

Trivest invested in the company in 2015, helping to build out the C-Suite and completing add-on acquisitions such as [Qube LLC](#), [SVA Healthcare Services LLC](#), [Insurance Data Services Inc.](#) and [Grant & Weber Washington Inc.](#)'s early-out recovery solutions business.

Recent company updates: GetixHealth renews sale effort via Guggenheim Partners ([here](#)).

CD1 PERFORMANCE SUMMARY^{1,2,3,4}

	1 MONTH	6 MONTHS	12 MONTHS	3 YEARS	5 YEARS	SINCE INCEPTION	IRR
NTA RETURN	-3.2%	-10.7%	-11.4%	-1.6% p.a.	6.3% p.a.	10.5% p.a.	11.6% p.a.

The strengthening Australian dollar (+7.4% between 30 September 2023 to 30 September 2024) has weighed on the NTA Return of the Fund Series, with the Fund holding predominantly US dollar denominated assets.

Historical performance is not a guarantee of the future performance of the Fund.

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 2024 spot rate of 0.6913 used. The Unit price of CD1 was \$0.63 as at 30 September 2024, the last trading day of the quarter.

1. Data is unaudited and is as at 30 September 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 September 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 I (USD1).
6. Includes US Select Direct I (USD1).
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 June 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 USD1'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.

DEFINED TERMS

Portfolio Company:	A company that is an investment of the LP.
MOIC:	Multiple on Invested Capital. MOIC is calculated by dividing the fund's cumulative distributions and residual value by the paid-in capital.
IRR:	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.
TVPI:	Total Value to Paid-in Capital.
M&A:	Mergers & Acquisitions. Transactions in which the ownership of companies or their operating units — including all associated assets and liabilities — is transferred to another entity.
VINTAGE:	The year in which a private equity fund makes its first investment in the portfolio company.

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).

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.

