

## Market update

Global equities rallied in the December quarter, with markets supported by positive results from COVID-19 vaccine trials and a resolution to the US election. The MSCI World Index was up 14.1% in US dollar (USD) terms, and 6.3% in Australian dollar (AUD) terms (+7.4% against the USD). In USD terms the market finished the year up 16.5% (+6.3% in AUD terms), recovering to be up 70.7% from the COVID-19 induced low in March 2020. Activity in capital markets, including private equity, continues to recover, with a significant increase in deal flow in the quarter.

In the US, the December elections resulted in a clean sweep for the Democrats, albeit a narrow majority in the Senate, with Joe Biden elected as president. This outcome should result in ongoing fiscal support for the economy while the Federal Reserve also indicated it would maintain accommodative monetary policy signalling it would continue with at least its current pace of asset purchases. Globally, sector performance reflected strong support for the recovery with cyclical sectors most impacted in the June and September quarters among the best performers. The positive vaccine news drove a significant rotation away from growth sectors that had benefited from stay-at-home orders into cyclical sectors that will likely benefit from greater economic activity.

The US' Gross Domestic Product (GDP) expanded by an annualised 33.4% in the September quarter, slightly higher than estimated. It was the largest increase ever, following a record 31.4% plunge in the June quarter, as the economy rebounded from the initial shock of the pandemic and unemployment in the US (6.7%) is down dramatically from the peak in April 2020 (14.9%). Despite this growth, GDP is still 3.5% below its pre-pandemic level and we caution that although COVID-19 vaccines are being rolled out, the pandemic is far from controlled.

Through the December quarter the private equity (PE) sector recorded its highest quarterly deal value in at least a decade, more than doubling the value seen in the second quarter of 2020, where PE deal value in the US descended to its lowest point in seven years. The significant deal volume seen throughout the quarter highlights the broader recovery, however proposed capital gains tax changes by Biden, may have also resulted in accelerated sales.

There have been major shifts in the US PE industry in the past year, all broadly positive for small to mid-market PE managers. The ongoing uncertainty created by the pandemic has also resulted in a continuation of the trend in pursuing smaller deals and "add-on" investments. High returns and perceived low volatility continue to drive demand for PE funds, with increasing inflows seen in the sector from both existing and new investors.

Throughout 2020, 66% of institutional investors invested in private equity. The general view is that there will be significant growth in the PE industry over the next five years, with economists forecasting AUM growing by US\$1.3 trillion. Barring any significant economic event and sustained high levels of "dry-powder" across the industry these changing trends provide structural support for the ongoing success of the CD Funds.

The Australian dollar strength proved a stiff headwind over the quarter for the Funds, despite the positive movement in the USD value of assets held at the LP level for the underlying funds. CD1 had a stand-out quarter, generating a return of +5.4% on an NTA basis, while CD2, CD3 and CD4 returned -7.5%, -5.5% and -5.5% respectively. The strong return from CD1 over the quarter was driven by two successful exits from underlying LPs, including the sale of Turnpoint Services Group from the Trivest V Fund which resulted in a significant gain on invested capital and a distribution from the underlying LP of CD1. Longer term the performance of the Funds is positive, with the more mature funds, CD1 and CD2, both achieving strong returns of 11.1% per annum and 9.4% per annum respectively since inception.

On the whole, the underlying LPs are performing in-line or have exceeded the expectations of the investment management team. Looking forward, the current PE market dynamic and positioning of the majority of underlying LP funds to date should, in our opinion, result in continued successful liquidity events for CD1, CD2 and CD3. Coupled with attractive acquisition multiples achieved in the past 12 months, particularly across CD3 and CD4, we continue to remain optimistic with regards to the future performance of the Funds.

### Distribution update

Following quarter end, CD1, CD2 and CD3 announced distributions, of 14 cents, 8 cents and 24 cents per unit respectively.

All three distributions reflect successful realisations, with underlying managers achieving strong multiples on invested capital. In aggregate, asset sales were completed at or above the holding value within the LP. Unitholders should expect to receive these distributions on or around 19 February 2021.

Regards  
**CD Private Equity Team**

## About the funds

The CD Private Equity Fund Series, including CD Private Equity Fund I (**CD1**), CD Private Equity Fund II (**CD2**), CD Private Equity Fund III (**CD3**), and CD Private Equity Fund IV (**CD4**) (together, Funds or Fund Series), is a series of private equity funds focused on US small-cap private equity funds and direct company investments. The Fund Series investments are selected by a joint venture between the private investment arm of the Cordish Companies of Baltimore, Maryland, and E&P Funds with underlying investments managed by experienced private equity fund managers.

This venture is anchored in the belief that smaller and nimbler private equity funds materially outperform larger private equity funds. The Fund Series was formed to provide investors with a platform to invest in a portfolio of high quality small to mid-market private equity funds and companies – a strategy that is typically beyond the reach of all but the largest endowment funds and family offices.

The Fund Series also provides investors with the opportunity to benefit from the Cordish Family Office's experience and network in investing in specialist small to mid-market private equity funds and direct equity investments in the US, as well as to invest side-by-side and on equal terms with the Cordish family in these compelling opportunities.

## Investment objectives

The General Partner and Investment Manager will seek to meet each Fund's aim of providing Unitholders with exposure to a portfolio of investments in small and mid-market private investment funds and privately held companies predominantly focused in the US; and capital growth over a five to ten-year investment horizon.

## Key investment team members

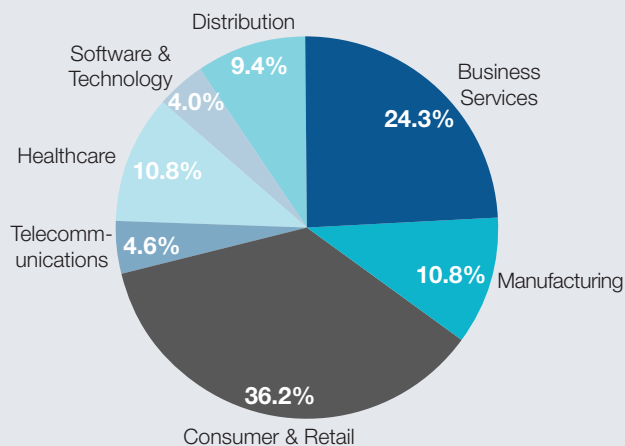


**Jonathan Cordish**  
Chairman of the Advisory Board



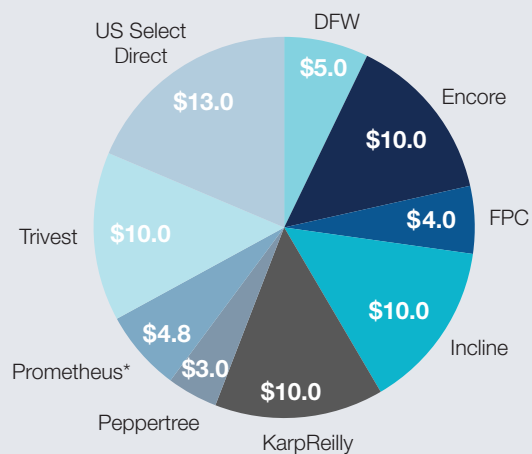
**Jonathan Sinex**  
Managing Director, Cordish Private Ventures

## CD1 portfolio asset allocation



Note: Numbers may not add to 100% due to rounding.

## LP commitments to underlying managers (US\$69.8m)



Note: The Fund has an 85.5% interest in the LP. Cordish Private Ventures and US Select Private Opportunities Fund GP LLC contributed the remaining amount based on their proportional shares. Numbers may not add due to rounding. \*The LP received a final distribution from Prometheus Partners IV, L.P. on 30 September 2016 and has no remaining capital with this fund.

## CD1 Fund performance

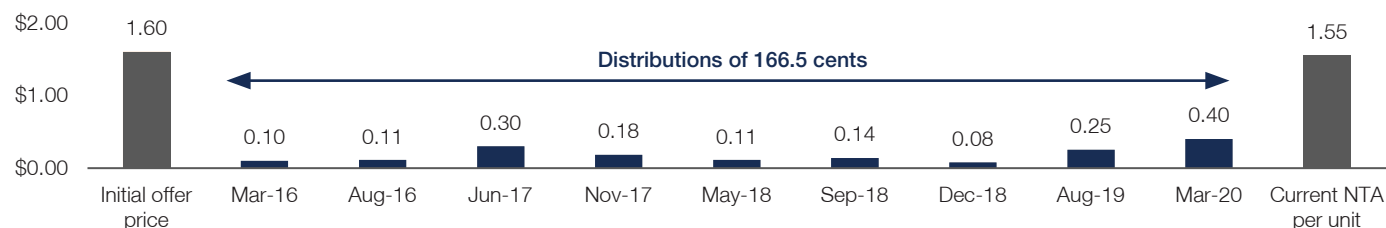
|                           | 3 MONTHS | 6 MONTHS | 1 YEAR | 3 YEAR PA | 5 YEAR PA | SINCE INCEPTION PA <sup>3</sup> |
|---------------------------|----------|----------|--------|-----------|-----------|---------------------------------|
| NTA return <sup>1,2</sup> | 5.4%     | 4.7%     | 1.8%   | 15.3%     | 10.4%     | 11.1%                           |

Notes: <sup>1</sup> Source: E&P Investments Limited. Historical performance is not a guarantee of the future performance of the Fund.

<sup>2</sup> Total returns are inclusive of distributions. NTA return is based on post-tax NTA and is net of fees and costs. <sup>3</sup> Inception date August 2012.

On an NTA/Internal Rate of Return (IRR) basis CD1 has achieved a return of 11.2% per annum since inception.

## CD1 unit value and income



Note: The unit price of CD1 was \$0.95 as at 31 December 2020. Historical performance is not a guarantee of the future performance of the Fund.

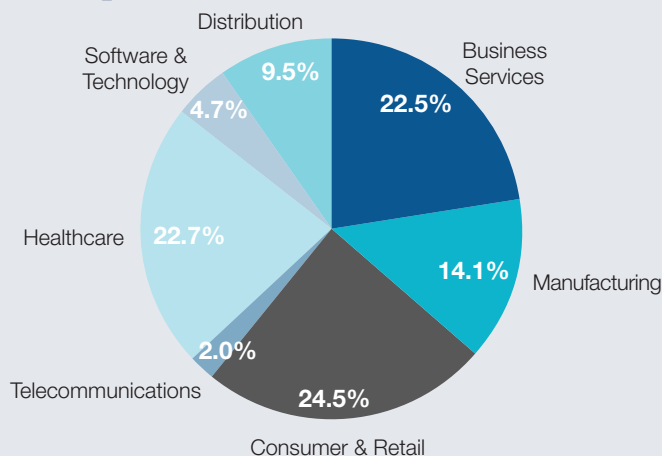
Source: E&P Investments Limited. Current NTA per unit (shown above) is post-tax.

## Underlying fund activity

**Trivest Fund V, L.P.** (Trivest) sold portfolio company Turnpoint Services Group, resulting in a distribution of US\$7.9 million to the LP. Trivest also called capital to fund an investment in an existing portfolio company during the quarter.

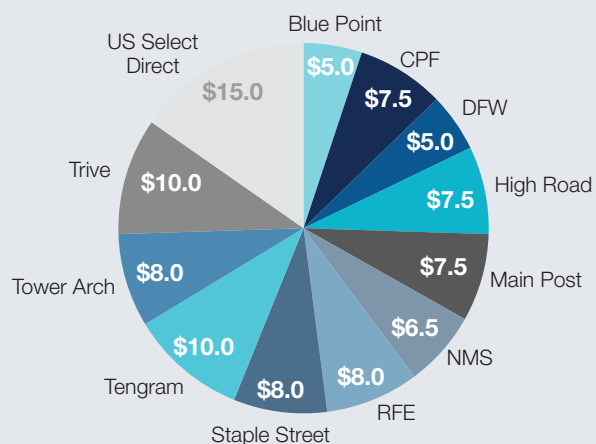
**Incline Equity Partners III, L.P.** (Incline) sold portfolio company LYNX Franchising, resulting in a distribution of US\$3.0 million to the LP. Incline also called capital for a follow-on investment to an existing portfolio company during the quarter.

## CD2 portfolio asset allocation



Note: Numbers may not add to 100% due to rounding.

## LP commitments to underlying managers (US\$98.0m)



Note: 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 due to rounding.

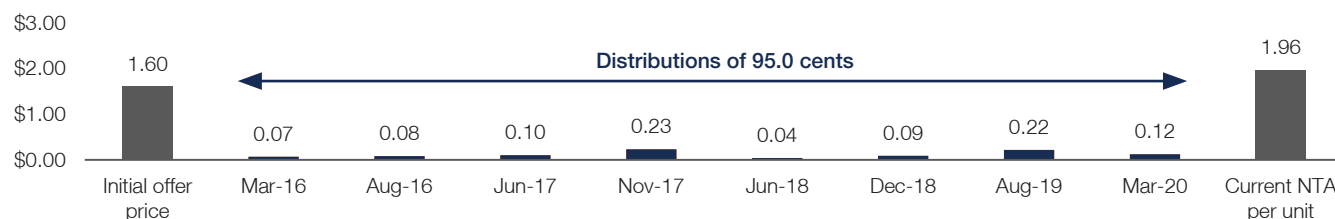
## CD2 Fund performance

|                           | 3 MONTHS | 6 MONTHS | 1 YEAR | 3 YEAR PA | 5 YEAR PA | SINCE INCEPTION PA <sup>3</sup> |
|---------------------------|----------|----------|--------|-----------|-----------|---------------------------------|
| NTA return <sup>1,2</sup> | -7.5%    | -4.9%    | -6.3%  | 9.3%      | 5.8%      | 9.4%                            |

Notes: <sup>1</sup> Source: E&P Investments Limited. Historical performance is not a guarantee of the future performance of the Fund.  
<sup>2</sup> Total returns are inclusive of distributions. NTA return is based on post-tax NTA and is net of fees and costs. <sup>3</sup> Inception date April 2013.

On an NTA/Internal Rate of Return (IRR) basis CD2 has achieved a return of 9.9% per annum since inception.

## CD2 unit value and income



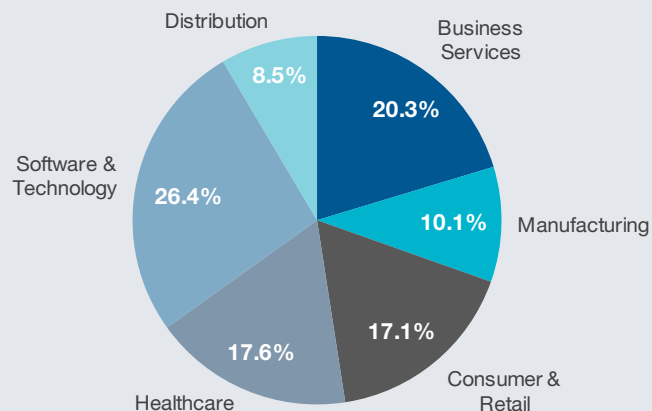
Note: The unit price of CD2 was \$1.15 as at 31 December 2020. Historical performance is not a guarantee of the future performance of the Fund.  
Source: E&P Investments Limited. Current NTA per unit (shown above) is post-tax.

## Underlying fund activity

**Blue Point Capital Partners III, L.P.** sold portfolio company AWP Group Holdings, resulting in a distribution of US\$0.6 million to the LP.

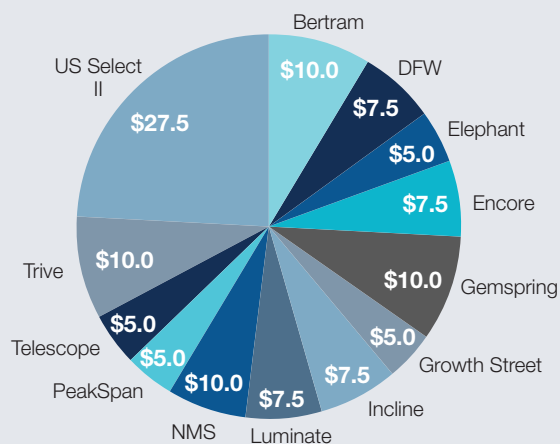
The LP also received a number of smaller distributions as a result of some small asset sales, restructures and release of escrow funds from prior sales, largely offset by calls to fund a number of add-on and follow-on investments.

## CD3 portfolio asset allocation



Note: Numbers may not add to 100% due to rounding.

## LP commitments to underlying managers (US\$117.5m)



Notes: The Fund has an 71.2% interest in the LP. Cordish Private Ventures, US Select Private Opportunities Fund III GP LLC and its partner contributed the remaining amount based on their proportional shares. Numbers may not add due to rounding.

## CD3 Fund performance

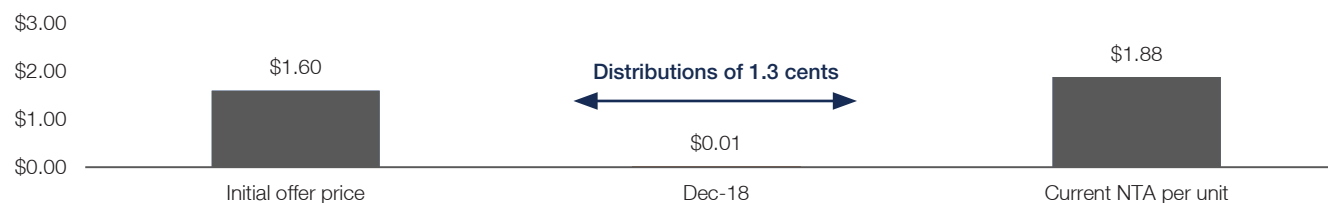
|                           | 3 MONTHS | 6 MONTHS | 1 YEAR | 2 YEAR PA | 3 YEAR PA | SINCE INCEPTION PA <sup>3</sup> |
|---------------------------|----------|----------|--------|-----------|-----------|---------------------------------|
| NTA return <sup>1,2</sup> | -5.5%    | 2.2%     | 1.1%   | 6.4%      | 8.6%      | 4.6%                            |

Notes: <sup>1</sup> Source: E&P Investments Limited. Historical performance is not a guarantee of the future performance of the Fund.

<sup>2</sup> Total returns are inclusive of distributions. NTA return is based on post-tax NTA and is net of fees and costs. <sup>3</sup> Inception date July 2016.

On an NTA/Internal Rate of Return (IRR) basis CD3 has achieved a return of 4.5% per annum since inception.

## CD3 unit value and income



Note: The unit price of CD3 was \$0.90 as at 31 December 2020. Historical performance is not a guarantee of the future performance of the Fund.

Source: E&P Investments Limited. Current NTA per unit (shown above) is post-tax.

## Underlying fund activity

**Gemspring Capital Fund I, L.P.** sold portfolio company Therma LLC., resulting in a distribution of US\$6.0 million, net of withholding tax, to the LP.

**Luminate Capital Partners, L.P.** sold majority interest in portfolio company Comply365, resulting in a distribution of US\$1.6 million to the LP.

**Bertram Growth Capital III, L.P.** sold portfolio company MSM Acquisitions, and paid a distribution from another portfolio company, resulting in total distributions of US\$4.1 million to the LP.

## Fund facts

| KEY FUND DETAILS                               | FUND 1              | FUND 2              | FUND 3              |
|------------------------------------------------|---------------------|---------------------|---------------------|
| ASX ticker                                     | CD1                 | CD2                 | CD3                 |
| Inception                                      | August 2012         | April 2013          | July 2016           |
| Pre-tax NTA                                    | \$1.56 <sup>1</sup> | \$2.06 <sup>1</sup> | \$1.91 <sup>1</sup> |
| Post-tax NTA                                   | \$1.55 <sup>1</sup> | \$1.96 <sup>1</sup> | \$1.88 <sup>1</sup> |
| Net Assets                                     | \$60.8 million      | \$107.9 million     | \$135.4 million     |
| Number of managers                             | 8                   | 12                  | 13                  |
| Total underlying investments (since inception) | 96                  | 120                 | 125                 |
| Investments during the quarter                 | 0                   | 0                   | 0                   |
| Full realisations                              | 43                  | 38                  | 10                  |
| Realisations during the quarter                | 3                   | 4                   | 3                   |
| Current underlying investments                 | 53                  | 82                  | 115                 |
| Average age of remaining companies             | 5.0 years           | 4.5 years           | 2.3 years           |

<sup>1</sup> Source: E&P Investments Limited. Historical performance is not a guarantee of the future performance of the Funds. The current NTAs per unit (shown above) are as at 31 December 2020.

Note: Underlying investment figures are collected on a lagged basis and may not reflect actual exposures at period end.

## Important information

This report has been authorised for release by the Board of E&P Investments Limited (ACN 152 367 649, AFSL 410 433), as responsible entity for CD Private Equity Fund I (ARSN 158 625 284), CD Private Equity Fund II (ARSN 162 057 089) and, CD Private Equity Fund III (ARSN 612 132 813) (**CD3**).

This Quarterly Update (**Update**) has been prepared by E&P Investments Limited as Responsible Entity (ACN 152 367 649, AFSL 410 433) 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**). **Investment Manager** for CD1 is US Select Private Opportunities Fund GP, LLC, and for CD2, CD3, and CD4 is E&P Asset Management USA Inc. 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.

## About E&P Funds

E&P Funds is a multibillion-dollar global funds management firm founded in 2007, with assets under management across global equities, residential and commercial property, private equity, fixed income, and sustainable and social investments.

It provides access to unique investment strategies not readily accessible to investors and focuses on building high quality, diversified portfolios.

E&P Investments Limited is the Responsible Entity of the Funds and is a wholly-owned subsidiary of E&P Financial Group Limited (EP1.ASX).

## Risks

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).

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