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2024 Q2

QUARTERLY UPDATE

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# MARKET & FUND SERIES UPDATE

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

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

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

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

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

The period ended **30 June 2024 (Q2 2024)** saw no portfolio company realisations for CD2. While market conditions begin to improve, the underlying managers are continuing to build out their short-term sales pipeline, and we are looking forward to a productive second-half of 2024 and 2025. We explore the current pipeline further on [Page 4](#).

Though the quarter was relatively quiet, the LP made payment of **US\$0.3m** in capital calls as well as receiving **US\$0.5m** in distributions. In addition to funding management fees and partnership expenses, these capital calls were to fund continued growth and liquidity for existing portfolio companies: [Nexeo HR Solutions](#) and [InfoSync Services](#).

Investors will find a summary of two of the Fund's more significant portfolio companies, Dominion Voting Systems and P3 Health Partners, and some recent updates on each company on [Page 5](#).

## NET TANGIBLE ASSET VALUE

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

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

Private equity managers typically adopt a conservative approach to minimise significant valuation fluctuations, with an aim to realise investments at or above the current book value. This conservative approach is evidenced by the Fund's 46 realisations (including five realisations of zero value) from 2020 to date, which reflect an **average uplift of +24%** to the pre-sale valuation<sup>12</sup>, highlighting the inherent value within the portfolio.

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

## FUND 2: QUARTERLY UPDATE

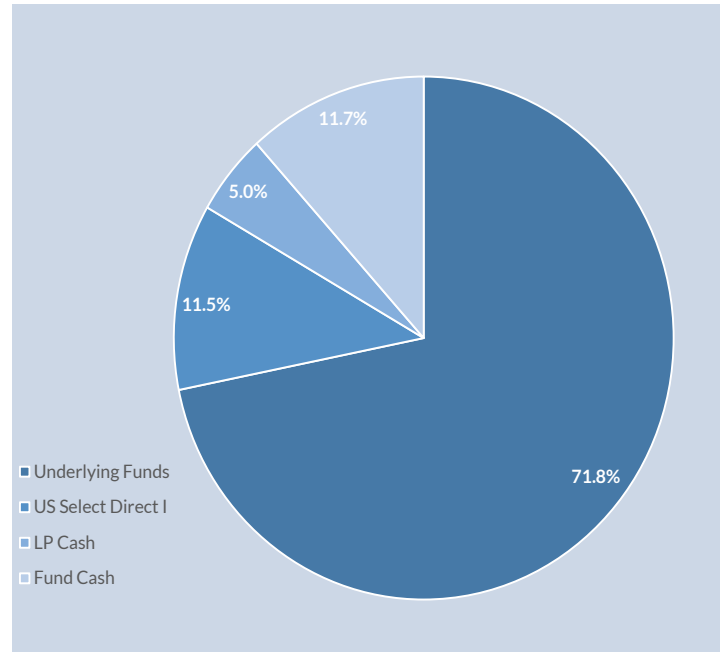
### 30 JUNE 2024: KEY STATISTICS

NTA per unit	Gross assets (million)	Quarterly NTA Return
\$1.50	A\$84.5	-2.6%

Q2 2024 Net Tangible Asset (NTA) movement was largely attributed to forex movements, with the Australian dollar strengthening by 2.3% between 31 March 2024 and 30 June 2024.

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

Inception Date	April 2013
CD2 Original Unit Price	\$1.60 per unit
CD2 Distributions Paid Since Inception	\$2.31 per unit
CD2 30 June 2024 NTA (post-tax)	\$1.50 per unit
CD2 Interest in LP2	87.28%
Total Underlying Funds (since inception)	12
Total Underlying Portfolio Companies (since inception)	122
Total Portfolio Company Realisations	80
Remaining Portfolio Companies	42
Median Gross MOIC on Realisations	2.6x
Average Hold Period of Remaining Investments	7.2 years
Fund Cash Balance <i>(inclusive of distributions not yet paid)</i>	A\$9.8m
Fund's Interest in LP Cash Balance <i>(inclusive of distributions not yet paid)</i>	US\$2.8m
Fund's Interest in Underlying Funds	US\$40.3m
Fund's Interest in US Select Direct I (USD1)	US\$6.5m



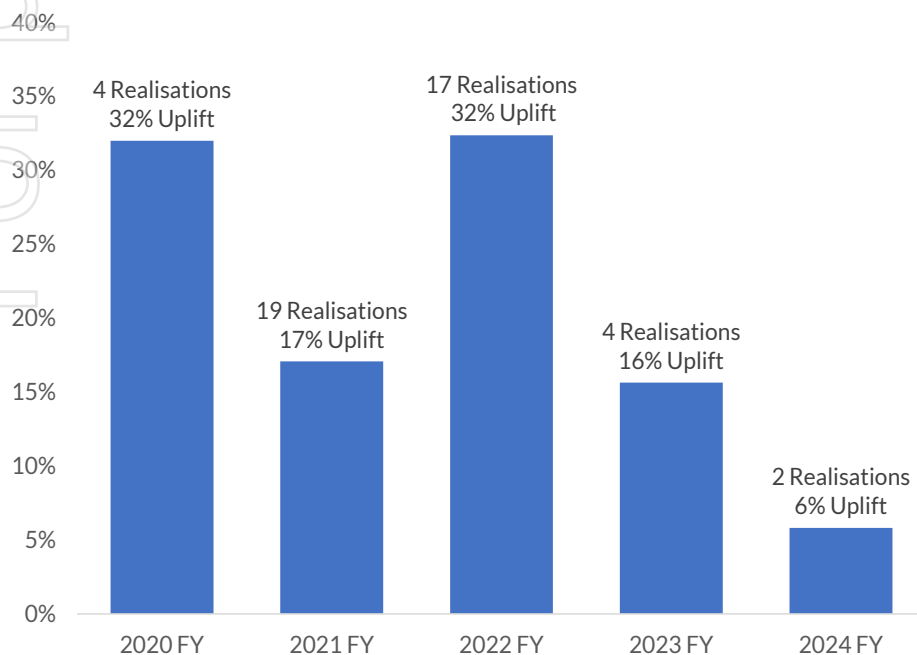
The LP's remaining capital commitments are subject to change as allowed under the individual Limited Partnership Agreement (LPA). Though the remaining commitment will change with each capital call or distribution, it is the Manager's expectation that the underlying Funds will not call this full amount,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

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

Fund's Remaining Commitment to LP2	US\$1.7m
LP2's Remaining Commitment to Underlying Funds <sup>9</sup>	US\$13.2m

### LP2: AVERAGE PORTFOLIO COMPANY UPLIFT AT SALE<sup>1, 5, 12</sup>

Average Uplift to Carrying Value at Sale (from 2020FY)



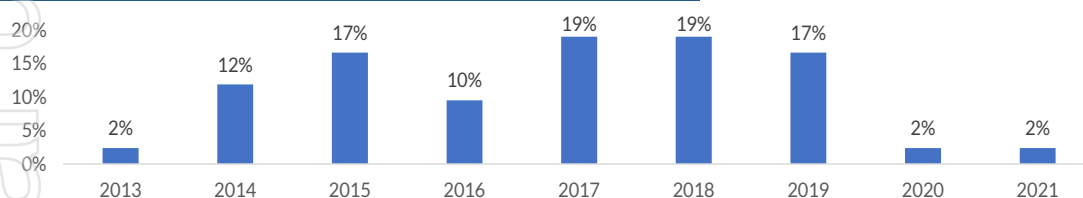


## LP2 UNDERLYING PORTFOLIO<sup>1,5,7,8</sup>

	TOTAL COMPANIES	TOTAL REALISATIONS	MEDIAN MULTIPLE ON INVESTED CAPITAL (MOIC)	REMAINING COMPANIES	AVERAGE HOLD PERIOD ON REMAINING COMPANIES	REMAINING VALUE (\$USD millions)
Fund 1	12	7	2.8x	5	7.4 years	\$1.63
Fund 2	9	3	9.0x	6	8.0 years	\$19.30
Fund 3	10	6	3.5x	4	7.4 years	\$4.11
Fund 4	10	3	2.6x	7	7.2 years	\$7.72
Fund 5	6	3	2.6x	3	7.4 years	\$3.38
Fund 6	9	3	1.9x	6	4.8 years	\$4.64
Fund 7	10	9	1.1x	1	10.0 years	\$3.14
Fund 8	11	7	4.0x	4	7.4 years	\$1.69
Fund 9	13	12	3.4x	1	8.7 years	\$0.61
Fund 10	15	10	1.9x	5	8.0 years	\$7.40
<b>Total</b>	<b>105</b>	<b>63</b>	<b>2.6x</b>	<b>42</b>	<b>7.2 years</b>	<b>\$53.63</b>

Note: Table excludes two funds which have no remaining assets but represent 17 portfolio company realisations. Remaining value is at the LP level.

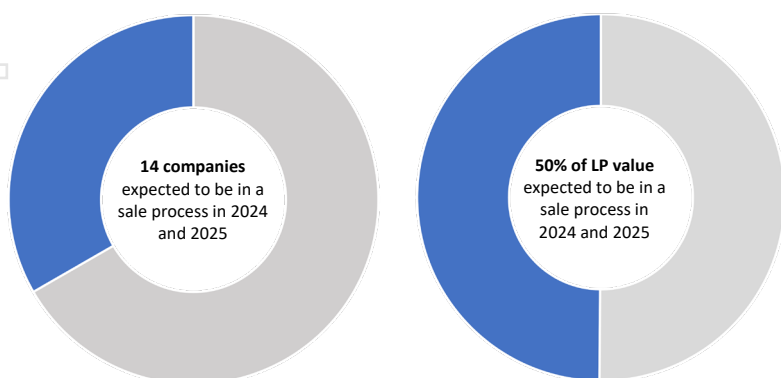
### PORTFOLIO COMPANY VINTAGE (BY NUMBER)



### LP2 24-MONTH REALISATION PIPELINE<sup>1</sup>

The Fund Managers are acutely aware of the age of their Funds, a challenge that has been compounded by unfavorable market conditions for selling. Below, you will see the short-term pipeline for sale. The sales process can involve having a signed Letter of Intent or appointing an advisor to begin marketing the assets for sale.

We expect that the below pipeline will continue to grow 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.



### CD2 PERFORMANCE SUMMARY<sup>1, 2, 3, 4</sup>

	1 MONTH	6 MONTHS	12 MONTHS	3 YEARS	5 YEARS	SINCE INCEPTION	IRR
<b>NTA RETURN</b>	0.0%	0.5%	10.1%	9.3% p.a.	9.0% p.a.	10.5% p.a.	11.2% p.a.

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

DOMINION  
VOTING**Status**

current portfolio company

**Initial Investment Date**

2018

[Dominion Voting Systems](#) (Dominion) operates within the election technology sector, providing comprehensive voting solutions to government entities. Their business model centers on offering secure, reliable, and user-friendly election systems, including electronic voting machines, tabulation software, and voter registration tools. Dominion's services span the entire election process, from the preparation and administration of elections to vote counting and reporting. They focus on delivering customised solutions tailored to the needs of different jurisdictions, emphasising security, accuracy, and transparency. Revenue is primarily generated through the sale and leasing of voting hardware and software, as well as ongoing support and maintenance contracts.

In the last 12 months, Dominion Voting Systems has seen significant changes driven by evolving industry dynamics and ongoing legal challenges. The company has continued to enhance its technology offerings, focusing on improving security, transparency, and usability of its election systems. Amidst ongoing litigation and public scrutiny, Dominion has worked to reinforce its reputation and address concerns related to election integrity. Additionally, Dominion has been active in expanding its market presence, forging new contracts, and engaging in advocacy to counter misinformation about its technology. These efforts reflect a broader strategy to maintain its position as a leading provider of voting solutions while navigating a complex and often contentious environment.

As Unitholders may remember, in 2021, Dominion was involved in high-profile legal disputes and media coverage (notable article [here](#)). Despite these controversies, the company remains a key player in the election technology market. Industry estimates suggest that the election technology sector has seen significant investment and growth, reflecting increasing demand for secure and reliable voting systems. The company is held by the underlying Manager conservatively while these outstanding items are resolved.

P3 Health  
Partners

People. Passion. Purpose.

**Status**

current portfolio company

**Initial Investment Date**

2017

[P3 Health Partners](#) (P3) is a healthcare management company specialising in value-based care solutions. Their business model focuses on partnering with physicians, healthcare providers, and payers to enhance patient outcomes and reduce costs through innovative care management and population health strategies. P3 utilises data analytics, care coordination, and patient engagement tools to drive improvements in care quality and efficiency.

Their approach is designed to support integrated care models that prioritise preventive measures and chronic disease management, aiming to deliver better health outcomes while optimising resource use across the healthcare continuum.

Over the last 12-months, the company has been actively working to expand its market presence and refine its operations in response to industry trends and regulatory changes. This has also seen a change in CEO during the quarter (read more [here](#)), with a focus on the company's next chapter of growth and success. The underlying Manager has great faith in the business, as well as analyst opinions identifying a underlying positive view on the company.

In August 2024, the company announced their second quarter 2024 results ([here](#)), showing growth in revenue and patient numbers, strategic advancements, and positive future projections. Key points include:

1. Revenue and Profitability: total revenue was up 15% compared to the same period in 2023;
2. Increased Patient Enrollment: Higher patient enrollment due to expanded services and partnerships.
3. New Partnerships: Addition of new contracts with providers and payers.
4. Technology and Expansion: Ongoing investments in technology and plans for further expansion.
5. Outlook: Management is optimistic about future growth and performance.

The company went public (NAS: PIII) in 2021 and has experienced extreme volatility in the share price, due to relatively low trading volume as well as pressure on the value-based care industry. Given that the company is publically listed and highly volatile, the company is valued on a volume-weighted average price (VWAP) benchmark each quarter and this continues to represent a strong multiple on cost.

# 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 June 2024 spot rate of 0.6670 used. The Unit price of CD2 was \$1.02 as at 28 June 2024, the last trading day of the quarter.

1. Data is unaudited and is as at 30 June 2024.
2. NTA and total returns are inclusive of distributions and are based on post tax NTA, net of fees and costs.
3. Inception dates were August 2012 (CD1), April 2013 (CD2), July 2016 (CD3) and April 2018 (CD4).
4. CD1, CD2, CD3 and CD4 original Unitholder investment was \$1.60 per Unit.
5. MOIC returns are as at 30 June 2024 and represent all underlying portfolio company sales since inception. MOIC returns are net of all underlying fees and expenses of the individual fund managers, but before fees and expenses of the LP and the Australian Unit Trust. MOIC returns are based on US dollar denominated investments and include US Select Direct 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 31 March 2024 valuations provided by the underlying GP's, adjusted for capital calls, distributions and foreign exchange movements over the period.
9. The Manager has confirmed that 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.
10. Abbott Year End 2023 Private Equity Market Overview ([here](#)).
11. For further insights into the nuances of private equity valuations, Russell Investments has published a comprehensive analysis that you can read [here](#).
12. The uplift on exit compares the value received upon realisation against the investment's carrying value at the latest valuation which is unaffected by pricing effects arising from the sale of the asset (typically 6 to 12-months before a sale is agreed to). Data for realisations prior to 2020 was not available to the RE at the time of release.

## DEFINED TERMS

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

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

## DISCLOSURES

This Quarterly Update (Update) has been prepared by K2 Asset Management Ltd (K2) as Responsible Entity (ACN 085 445 094, AFSL 244 393) of the CD Private Equity Fund Series (Funds or Fund Series) which includes CD Private Equity Fund I (ARSN 158 625 284) (CD1), CD Private Equity Fund II (ARSN 162 057 089) (CD2), CD Private Equity Fund III (ARSN 612 132 813) (CD3), and CD Private Equity Fund IV (ARSN 624 474 531) (CD4). K2 and the Manager have taken reasonable care to ensure that the information contained in this document is accurate at the date of publication. However, no warranty or guarantee (express or implied) is given by either party as to the accuracy of the information in this document, and to the extent permitted by applicable law, K2 and the Manager specifically disclaim any liability for errors, inaccuracies or omissions in this document and for any loss or damage resulting from its use.

The general partner of each of the Limited Partnerships (LPs) in the series has engaged either E&P Funds Management Pty Limited (ACN 159 902 708)(LPI) ("E&PFM") or the Investment Manager (LPs II,III,IV) to act as investment manager and/ or investment advisor for each respective underlying LP. An investment in any of the Funds is subject to various risks, many of which are beyond the control of the Investment Manager and the Funds. The past performance of the Funds is not a guarantee of the future performance of the Funds. This Update may contain statements, opinions, projections, forecasts and other material (forward looking statements), based on various assumptions. Those assumptions may or may not prove to be correct. The Responsible Entity and its advisers (including all of their respective directors, consultants and/or employees, related bodies corporate and the directors, shareholders, managers, employees or agents of them) (Parties) do not make any representation as to the accuracy or likelihood of fulfilment of the forward-looking statements or any of the assumptions upon which they are based. Actual results, performance or achievements may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward-looking statements and the Parties assume no obligation to update that information. This Update may contain general advice. Any general advice provided has been prepared without taking into account your objectives, financial situation or needs. Before acting on the advice, you should consider the appropriateness of the advice with regard to your objectives, financial situation and needs, and consider obtaining advice from a financial advisor. You should obtain a copy of the relevant PDS or offer document before making any decisions to purchase a product. All performance figures, unit prices and distributions are in Australian Dollars, unless otherwise stated. Like all investments, an investment in any of the Funds carries risks which may result in the loss of income or principal invested. In addition to the general risks of investing, specific risks associated with investing in the Funds include, but are not limited to, private investments risk, illiquidity risk and foreign exchange risk.

For further information about the risks of investing in any of the Funds, please see the relevant Product Disclosure Statements available on the website: [cdfunds.com.au](http://cdfunds.com.au).

## INVESTMENT OBJECTIVES

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

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

## CORDISH EQUITY PARTNERS TEAM



**Jonathan Cordish**  
President  
Cordish Equity Partners



**Jonathan Sinex**  
Managing Director  
Cordish Equity Partners

## RESPONSIBLE ENTITY



K2 Asset Management Ltd (K2) is the Responsible Entity of the Funds. K2 is a listed Australian diversified financial services firm with three core pillars:

- Funds Management;
- Responsible Entity (RE) and Trustee Service; and
- Exchange Traded Funds (ETFs).

Established in 1999, K2 is the main operating subsidiary of K2 Asset Management Holdings Ltd which is listed on the Australian Securities Exchange (ASX Code: KAM).