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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 2: QUARTERLY UPDATE

| 30 SEPTEMBER 2024: KEY STATISTICS | | |
|-----------------------------------|------------------------|----------------------|
| NTA per unit | Gross assets (million) | Quarterly NTA Return |
| \$1.32 post-tax | A\$74.4 | -7.8% |

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.

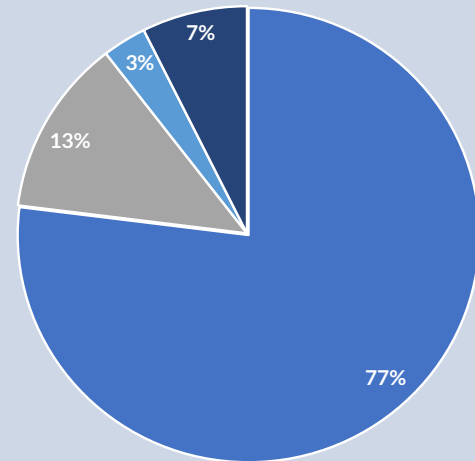
The period ended 30 September 2024 (Q3 2024) saw no portfolio company realisations for CD2, however we are pleased to confirm that there are a number of portfolio companies in the pipeline for hopeful realisation in Q4 2024 (outlined further on [Page 4](#)). The LP did receive five capital calls during the period for a total of **US\$0.4m**, predominantly related to underlying management fees and partnership expenses.

Investors will once again find a summary of a number of the Fund's portfolio companies, including Not Your Mother's, Aavap and Ivy Technology, and some recent updates on each on [Page 5](#).

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

| | |
|--|-----------------|
| Inception Date | April 2013 |
| CD2 Original Unit Price | \$1.60 per unit |
| CD2 Distributions Paid Since Inception | \$2.38 per unit |
| CD2 30 September 2024 NTA (post-tax) | \$1.32 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 | 7.5 years |
| Fund Cash Balance | A\$5.4m |
| Fund's Interest in LP Cash Balance | US\$1.6m |
| Fund's Interest in Underlying Funds | US\$39.1m |
| Fund's Interest in US Select Direct I (USD1) | US\$6.4m |

- Underlying Funds
- US Select Direct I
- LP Cash
- Fund Cash



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)¹

| | |
|---|-----------|
| Fund's Remaining Commitment to LP2 | US\$1.7m |
| LP2's Remaining Commitment to Underlying Funds ⁹ | US\$12.7m |

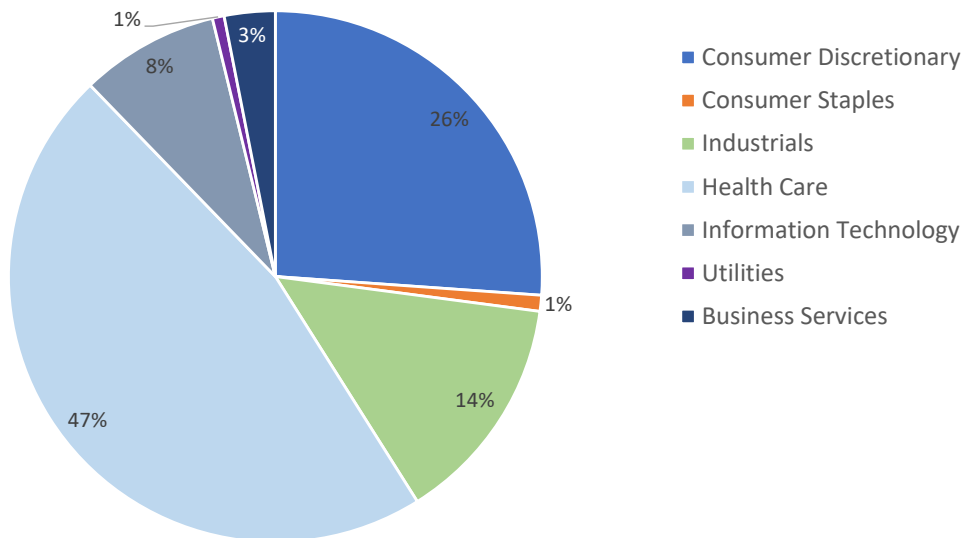
LP2 UNDERLYING PORTFOLIO^{1, 5, 7, 8}

| | TOTAL COMPANIES | TOTAL REALISATIONS | MEDIAN MULTIPLE ON INVESTED CAPITAL (MOIC) | REMAINING COMPANIES | AVERAGE HOLD PERIOD ON REMAINING COMPANIES | REMAINING VALUE (\$USD millions) | QUARTERLY MOVEMENT (\$USD millions) |
|------------------------|-----------------|--------------------|--|---------------------|--|----------------------------------|-------------------------------------|
| Fund 1 | 12 | 7 | 2.8x | 5 | 7.6 years | \$1.71 | +\$0.08 |
| Fund 2 | 9 | 3 | 9.0x | 6 | 8.2 years | \$18.62 | -\$0.68 |
| Fund 3 | 10 | 6 | 3.5x | 4 | 7.6 years | \$4.15 | +\$0.04 |
| Fund 4 | 10 | 3 | 2.6x | 7 | 7.5 years | \$7.45 | -\$0.27 |
| Fund 5 | 6 | 3 | 2.6x | 3 | 7.6 years | \$3.18 | -\$0.19 |
| Fund 6 | 9 | 3 | 1.9x | 6 | 5.1 years | \$4.55 | -\$0.09 |
| Fund 7 | 10 | 9 | 1.1x | 1 | 10.2 years | \$3.18 | +\$0.04 |
| Fund 8 | 11 | 7 | 4.0x | 4 | 7.6 years | \$1.44 | -\$0.25 |
| Fund 9 | 13 | 12 | 3.4x | 1 | 8.9 years | \$0.54 | -\$0.07 |
| Fund 10 | 15 | 10 | 1.9x | 5 | 8.3 years | \$7.32 | -\$0.09 |
| Total | 105 | 63 | 2.6x | 42 | 7.5 years | \$52.14 | -\$1.49 |
| LP Cash Balance | | | | | | \$1.80 | -\$1.43 |

Note: Table excludes two funds which have no remaining assets but represent 17 portfolio company realisations. Remaining value is at the LP level. LP cash balance reduced as a result of the August 2024 distribution paid to Unitholders.

PORTFOLIO SECTOR (BY VALUE)¹

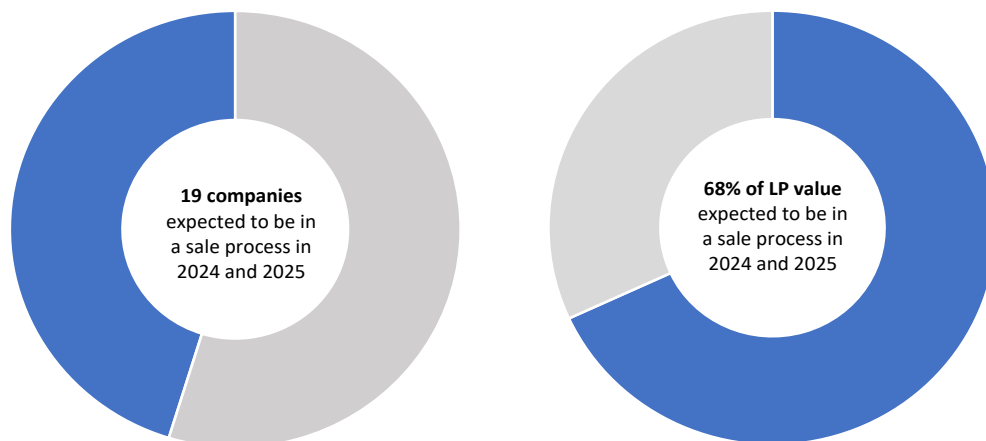
The Fund's remaining portfolio companies continue to offer diversification across sectors, with roughly 60% of the remaining companies (by value) considered to be within high growth industries such as IT, business services and healthcare, which are thought to be more resilient through economic cycles.



LP2 24-MONTH REALISATION PIPELINE¹

As guided during Q2 2024, it is expected 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.

During Q3 2024, the LP was informed of an additional 5 companies which are expected to be in sale process sometime in 2024 or 2025. Based on the current valuations, this would represent 68% of the LP value in a sale process within the next 18 months. We understand that a number of these companies have a signed Letter of Intent (LOI) which we are hopeful will transact before EOY.



CD2 PERFORMANCE SUMMARY^{1, 2, 3, 4}

| | 1 MONTH | 6 MONTHS | 12 MONTHS | 3 YEARS | 5 YEARS | SINCE INCEPTION | IRR |
|------------|---------|----------|-----------|---------|-----------|-----------------|------------|
| NTA RETURN | -2.9% | -10.1% | -12.9% | 1.9% | 5.8% p.a. | 9.5% p.a. | 10.8% 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.

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**NOT YOUR
MOTHER'S**[®]

Status*current portfolio company***Initial Investment Date**

2019

[Not Your Mother's](#) is a dynamic beauty brand specialising in innovative hair care products that cater to the modern consumer. With a focus on high-performance formulations and trendy packaging, the brand offers a diverse range of shampoos, conditioners, styling aids, and treatments designed to meet various hair needs—from curls and waves to straight and sleek styles.

Mainpost Growth first invested in 2019, intending to drive heightened consumer awareness, continued new product innovation and ongoing retailer support. The company has cemented itself as a staple with the teen-to-college consumer and continues to see solid sales growth across key channels.

Recent company updates: Not Your Mother's recognised as #2 most preferred haircare brand for female teens ([here](#)), launching vegan, cruelty free haircare ([here](#)), launching into Canada (2023) ([here](#)).



avaap
innovation | solutions | outcome

Status*current portfolio company***Initial Investment Date**

2016

[Avaap](#) is an industry-focused Workday services partner and management consulting firm. Headquartered in Columbus, OH, Avaap specialises in business transformation, including strategy, system selection, technology deployment, data & analytics, change management, and helping customers achieve ongoing optimisation of technology investments. Avaap has earned numerous industry accolades over the years and is recognised as one of the best places to work in IT.

NMS first invested in 2016, and since then has successfully completed a number of [add-on acquisitions](#). The company has experienced strong growth and are working with NMS and their portfolio optimisation group to become a leading player in their field.

Recent company updates: Avaap Expands Workday Practice ([here](#)).



ivy
TECHNOLOGY

Status*current portfolio company***Initial Investment Date**

2019

[Ivy Technology](#) is a leading provider of aftermarket repair and logistics services to some of the world's leading electronic equipment, telecommunications, network equipment, internet of things, and medical device manufacturers. Ivy provides its blue-chip global customers (including HP, Dell, Cisco, Verifone, Amazon, Verizon, and AT&T) aftermarket repair and reverse logistic services for their electronic equipment products as well as installation and configuration services of electronics equipment.

Staple Street Capital first invested in 2019, and since then has helped the company grow to over 3,000 global employees, and 11 strategically located facilities in Hungary, Poland, the Netherlands, the UK, Malaysia, China, Canada, Brazil, and the US.

Recent company updates: Ivy Tech news ([here](#)).

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 CD2 was \$0.91 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. |

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.

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).

