

For personal use only

2024 Q4

QUARTERLY UPDATE

ASX.CD3

ASX RELEASE DATE: 11 FEBRUARY 2025



In 2024, U.S. private equity (PE) saw a strong rebound in activity which was a welcome change from the prior 12-month period. Deal count and deal value both saw significant year-over-year increases, driven by lower interest rates which help in aligning buyer and seller valuation expectations as well as allowing deals to proceed with confidence. Exit activity was also helped along by secondary buyouts, with PE firms acquiring 79 companies from other PE firms, with an aggregate value of US\$167b, which was up by over 100% from the year prior.

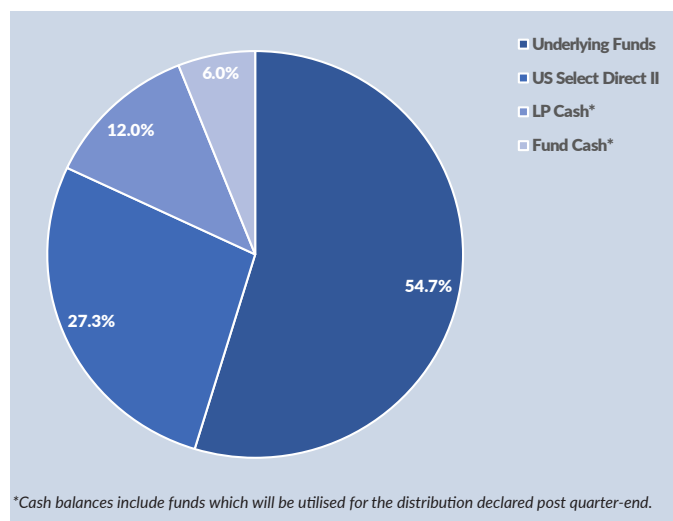
Despite a modest slowdown in Q4 2024 due to the U.S. Presidential Election, momentum was also fuelled by increasing pressure for capital returns from limited partners (LPs). EY surveyed US General Partners (GPs), with 57% expecting exits to increase over the next six months and for many, their exit readiness activities – inclusive of presale diligence, engaging bankers to help manage the sale, and preparing management teams for the process – has already begun in earnest. We are noticing this amongst the Fund Series – particularly CD1 and CD2 – and are hopeful for a fruitful 2025 for these portfolios.

Overall, the macroeconomic backdrop does remain mixed, despite a largely pro-business Government, risks such as tariffs, persistent high interest rates, budget cuts, and inflationary pressures from supply chain disruptions and consumer defaults all pose different pressures on the portfolio companies. While caution may persist, we are hopeful that our GPs can position themselves to benefit from an improving business climate in 2025 and capitalise on the increased market activity for their LPs.

FUND 3: QUARTERLY UPDATE & PORTFOLIO COMPOSITION^{1, 5, 6, 7}

Inception Date	July 2016
CD3 Original Unit Price	\$1.60 per unit
CD3 Distributions Paid Since Inception ⁸	\$1.909 per unit
CD3 31 December 2024 NTA (post-tax)	\$1.95 per unit
Q4 2024 Portfolio Realisations	7
Average Gross MOIC on Q4 Realisations	2.43x
CD3 Interest in LP3	71.22%
Total Underlying Funds (since inception)	13
Total Underlying Portfolio Companies (since inception)	144
Total Portfolio Company Realisations	74
Median Gross MOIC on Realisations	2.8x
Remaining Portfolio Companies (<i>see below</i>)	64
Hold Period of Remaining Active Investments	5.4 years
Fund Cash Balance ⁹	A\$9.5m
Fund's Interest in LP Cash Balance ⁹	US\$11.7m
Fund's Interest in Underlying Funds	US\$53.5m
Fund's Interest in US Select Direct 2 (USD2)	US\$26.7

CD3 31 DECEMBER 2024: KEY STATISTICS ^{1, 2}		
NTA per unit	Gross assets	Quarterly NTA Return
\$1.95	A\$147.5 million	14.0%



As at 31 December 2024, the Fund had 70 portfolio companies, with six (6) of those deemed inactive and unlikely to have significant value extracted.

Of the remaining 64 portfolio companies, it is considered that 50 of these are active earners, and 14 have been impaired from their cost base in prior periods. Though these 14 have been impaired, they do still continue to hold value and a number have already returned capital during the hold period.

CASH FLOW MANAGEMENT (FUND 3 & LP3)

In light of the recent distributions announced in January 2025 (CD3 announcement of \$0.13 per Unit [here](#)), as well as the notable increase in underlying portfolio activity, we've received queries from Investors regarding the underlying cash flow management policies of the Fund, which we are pleased to share more detail on. The below is a snapshot of the Fund and LP cash following the distribution announced to Unitholders, which was partially funded by a distribution from the LP to the Fund.

Similar principles to what K2 shared in the October 2023 presentation apply (presentation [here](#)), with distributions being determined based on available and projected cash flows at both the Fund level (managed by K2 as the RE) and at the LP level (managed by the General Partner (GP)). The RE does not have discretion over the cash management of the LP.

	as at 7 February 2025
CD3 (Fund 3) Cash (AUD)	A\$19.5m
ALLOWANCE FOR	
Distributions declared (January 2025)	-A\$9.4m
Further investments	-A\$5.0m
Working capital & fund expenses*	-A\$4.3m
Total Cash Requirement	-A\$18.7m
Cash Buffer^	A\$0.8m

*Working capital includes a projected 3 year period of management & administration fees, professional fees, ASX fees (where applicable), registry fees, accounting, audit & compliance, as well as an allowance for any expected Fund-level taxes.

^While we work to keep this cash buffer as modest as possible, conservatively we wish to be able to account for any unforeseen Fund level expenses or unfavourable FX movements.

	as at 7 February 2025
LP3 Cash (USD)	US\$7.4m
LP3's Remaining Commitment to Underlying Funds ^{1, 8}	-US\$5.6m
LP3 2025 Investment Manager Fees ¹⁰	-US\$1.1m
Fund's Interest in LP3	71.22%
Fund's non-controlling interest in LP3 Cash	US\$5.3m

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.

LP3 QUARTERLY CAPITAL CALLS & DISTRIBUTIONS¹

	MONTH	AMOUNT*	FUND	PRIMARY REASON
Distribution	October	US\$0.14m	Encore Consumer Capital	Escrow & tax release: Murry's, Supergoop! & 4505 Meats
Capital Call	November	-US\$0.08m	DFW Capital Partners	Follow on investment: Continuum Research Group
Distribution	November	US\$1.77m	Growth Street Partners	Realisation: Visual Lease
Distribution	November	US\$3.43m	Gemspring Capital	Realisation: Shrieve Acquisition Corp
Capital Call	December	-US\$0.01m	DFW Capital Partners	Management fees & partnership expenses
Distribution	December	US\$0.02m	Incline Equity Partners	Escrow release: ARMStrong LLC
Distribution	December	US\$1.79m	NMS Fund III	Realisation: Center for Social Dynamics
Distribution	December	US\$1.64m	Incline Equity Partners	Realisation: Unified Power

Note: This table does not account for all cash flow movements of the LP during the month.

*Amount of distributions may include simultaneous capital calls for minor follow-on investments, tax withholdings or payments, management fees & partnership expenses and/or carried interest payments.

LP3 QUARTERLY PORTFOLIO REALISATIONS - CASH EVENTS¹



After a hold period of 6 years, the company was acquired by CoStar Group (NASDAQ: CSGP) and in their third-quarter conference call, executives at CoStar [said it made the acquisition for US\\$272.5 million.](#)

Status
[Realised \(2024\)](#)
Initial Investment Date
2018
Underlying Fund
Growth Street Partners

Shrieve was first acquired by Gemspring in 2019 and through Gemspring's operational and financial resources, they were able to enter new markets, add key personnel, bolster capabilities, and significantly enhanced product offerings for customers while maintaining exceptional service.

Status
[Realised \(2024\)](#)
Initial Investment Date
2019
Underlying Fund
Gemspring

Incline first invested in the company in 2019, and during the hold period they were able to complete seven add-on acquisitions, broadening the geographic footprint, as well as improving efficiency, productivity and customer satisfaction.

Status
[Realised \(2024\)](#)
Initial Investment Date
2019
Underlying Fund
Incline Equity Partners

CSD is a leading provider of applied behaviour analysis ("ABA") to children with Autism Spectrum Disorder ("ASD"). NMS first invested in the company in 2019 and during the hold period they were able to accelerate growth in new and existing geographies as well as implement a strong leadership team for the business.

Status
[Realised \(2024\)](#)
Initial Investment Date
2019
Underlying Fund
NMS Capital

LP3 QUARTERLY PORTFOLIO REALISATIONS - NON-CASH EVENTS¹



Status
[IPO \(2021\)](#)
Final parcel sold on market (Dec 2024)
Initial Investment Date
2017
Underlying Fund
Elephant Partners

Status
[Realised \(Dec 2024\)](#)
Initial Investment Date
2019
Underlying Fund
Gemspring Capital

Status
[Realised \(Dec 2024\)](#)
Initial Investment Date
2019
Underlying Fund
Gemspring Capital

LP3 UNDERLYING PORTFOLIO^{1,5,6,7}

	TOTAL COMPANIES	TOTAL REALISATIONS	MEDIAN MOIC (REALISATIONS)	ACTIVE PORTFOLIO COMPANIES	AVERAGE HOLD PERIOD ON ACTIVE COMPANIES	UNDERLYING FUND VALUE (\$USD millions)	QUARTERLY MOVEMENT (EXCLUDING REALISATIONS) (\$USD millions)
Fund 1	9	6	4.1x	2	6.2 years	\$4.46	-\$0.06
Fund 2	7	3	2.5x	4	6.7 years	\$3.83	+\$0.30
Fund 3	11	9	3.0x	2	6.7 years	\$7.62	-\$0.01
Fund 4	12	5	2.9x	6	6.2 years	\$8.77	+\$0.12
Fund 5	12	9	3.8x	3	6.6 years	\$2.97	-\$0.78
Fund 6	9	6	7.0x	3	4.0 years	\$4.05	+\$0.73
Fund 7	10	5	3.1x	3	4.9 years	\$3.39	+\$0.50
Fund 8	7	7	2.2x	0	-	\$4.37	-\$0.79
Fund 9	8	1	2.1x	7	5.4 years	\$9.45	-\$0.70
Fund 10	12	5	2.3x	7	7.0 years	\$5.87	+\$0.12
Fund 11	7	2	4.3x	5	5.0 years	\$14.24	+\$3.34
Fund 12	15	11	1.2x	4	5.4 years	\$5.48	-\$0.14
Fund 13	25	5	2.0x	18	4.3 years	\$37.51	+\$2.12
Total	144	74	2.8x	64	5.4 years	\$112.03	+\$4.76

*Remaining value is at the LP level. Fund 8 has had all underlying portfolio companies substantially exited, with two realisations having approximately 1/3 of the exit proceeds retained as rollover equity. The value not included in the above table, which includes LP cash & Smart-sheet as at 31 December 2024, is US\$17.1 million.

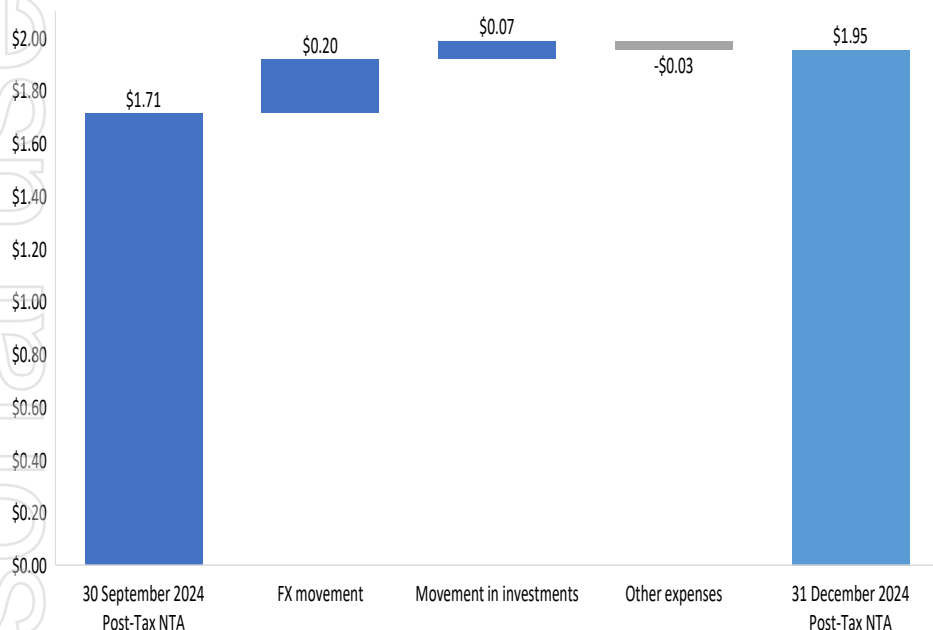
CD3 PERFORMANCE SUMMARY^{1, 2, 3, 4}

	1 MONTH	6 MONTHS	12 MONTHS	3 YEARS	5 YEARS	SINCE INCEPTION	IRR
NTA RETURN	4.8%	12.7%	17.6%	14.5% p.a.	20.7% p.a.	14.4% p.a.	13.7% p.a.

The Fund's NTA return is net of fees (including initial issuer or product fees) and is inclusive of distributions paid. Movement from 30 September 2024 is largely attributable to the weakening of the Australian dollar in combination with positive portfolio valuation movements, as can be seen in the NTA quarterly waterfall graph below.

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

CD3 QUARTERLY NTA MOVEMENT (PER UNIT)¹



CD3 DISTRIBUTION HISTORY (PER UNIT)^{1, 2}

	Distributions Declared	Cumulative Distributions	NTA as of 31 December	DPI	TVPI
2018	\$0.013	\$0.013	\$1.66	0.01x	1.05x
2019	\$0.00	\$0.013	\$1.86	0.01x	1.17x
2020	\$0.00	\$0.013	\$1.88	0.01x	1.18x
2021	\$0.895	\$0.908	\$2.09	0.57x	1.87x
2022	\$0.451	\$1.359	\$2.17	0.85x	2.21x
2023	\$0.33	\$1.689	\$1.87	1.06x	2.22x
2024	\$0.22	\$1.909	\$1.95	1.26x	2.41x
2025	\$0.13	\$2.039	-	1.27x	-

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 31 December 2024 spot rate of 0.6188 used. The Unit price of CD3 was \$1.27 as at 31 December 2024, the last trading day of the quarter.

1. Data is unaudited and is as at 31 December 2024.
2. NTA and total returns are inclusive of distributions and are based on post tax NTA, net of fees and costs.
3. Inception date of CD3 was July 2016.
4. CD3 original Unitholder investment was \$1.60 per Unit.
5. MOIC returns are as at 31 December 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 II (USD2).
6. Age of portfolio companies refers to the average duration of time that the LP has been invested in the remaining underlying portfolio companies.
7. LP investments values are based on 30 September 2024 valuations provided by the underlying GP's, adjusted for capital calls, distributions and foreign exchange movements over the period. It is expected that the 31 December 2024 reports, which are based on the underlying Fund's audited financial statements, will be received in April 2025.
8. The Manager has confirmed that USD2'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.
9. These figures are as at 31 December 2024 therefore do not include payment of the distribution declared in January 2025.
10. Investment Manager Fee is explained in greater detail in Note 8 of the 2025 Half-Year Accounts ([here](#)).

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.
DPI:	Distribution to Paid-in Capital (total distributions divided by original investment).
TVPI:	Total Value to Paid-in Capital. (total distributions + current NTA divided by original investment).
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 and authorised for release 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)(LP1)("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 Services; 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).