

## Quarterly update for period ending 30 June 2017

### Fund update

The estimated unaudited net tangible asset (**NTA**) value before withholding tax on unpaid distributions at 30 June 2017 was \$1.48<sup>1</sup> per unit (at 31 March 2017 it was \$1.50<sup>1</sup> per unit).

US Select Private Opportunities Fund III, L.P. (**LP**), has committed US\$65 million across nine private investment funds, all focused on small-to-mid-market private investment opportunities.

At 30 June 2017, US\$21.4 million (or 25.0% of total funds committed to the LP) had been called by the LP. The Fund's proportionate share of this is approximately US\$13.3 million (a 61.8% share).

During the second quarter (Q2), the LP received eight drawdown requests for a total net consideration of US\$4.2 million. At 30 June 2017, net drawdown requests from underlying investments were approximately US\$14.9 million (or 23.0% of total funds committed by the LP).

The LP committed US\$7.5 million to Luminate Capital Partners, L.P., which will invest in US mid-cap growth companies, with a focus on software and software-enabled services businesses.

The Australian dollar (**AUD**) traded between 0.7374 and 0.7689 during Q2, ending on June 30 at the quarter's high of 0.7689.

### Fund facts

#### KEY FUND DETAILS

ASX ticker	USP
Inception	July 2016
Sector	Listed investment trust
Currency	AUD (unhedged)
Pre-tax NTA (per Unit)	\$1.48
Market capitalisation	\$76.8 million
Units outstanding	48.0 million
Number of managers	9

#### ONGOING FEES

Investment Manager fee	1% pa <sup>2</sup>
Administration & Responsible Entity fee	0.3446% pa <sup>2</sup>
Performance fee	10% with hurdle rate of 8% pa

For more information on fees and costs associated with the product, please refer to Section 7 of the PDS dated 15 June 2016.

### Fund performance

	3 MONTH	6 MONTH	1 YEAR	2 YEARS PA	3 YEARS PA	SINCE INCEPTION CUMULATIVE <sup>4</sup>
Unit price return <sup>3</sup>	3.2%	0.0%	N/A	N/A	N/A	0.0%
NTA return <sup>1,3</sup>	-1.3%	-6.3%	N/A	N/A	N/A	-3.3%

## Private investment market commentary

In Q2, the US economy demonstrated further signs of strength. U.S GDP increased 2.6% year-on-year (yoy) in Q2, lifted by consumer spending, which makes up more than two-thirds of the U.S. economy. Consumer spending grew at 2.8% yoy, up from 1.9% yoy in Q1 2017. US labour market conditions continued to improve. The May unemployment rate was 4.3%, its lowest level since May 2001. Over the past three months nonfarm payrolls continued to increase, with an average of 183,000 jobs per month being created. While US employment continues to strengthen, limited wage growth has been an ongoing theme. In both May and June, it was reported that private-sector workers saw their pay cheques grow 2.4%, on average, over the previous year.

Global private equity fundraising continues to accelerate. According to Preqin, the industry saw 206 funds reach a final close during the quarter, raising a combined US\$121 billion. This surpassed the US\$119 billion raised in Q2 2016. Capital commitments have now exceeded US\$100 billion per quarter in four of the last five quarters, demonstrating the sustained strength of the fund raising market<sup>5</sup>. Despite an increase in total industry capital raisings, significantly fewer funds reached final close in Q2 than in the previous corresponding quarters (206 funds compared with 270 in Q2 2016 and 319 in Q2 2015). Globally, the average size for funds closed in the six months to 30 June 2017 increased to US\$625 million. In North America the average fund size at final close varied little from the previous quarter, and was in line with the global 2017 year to 30 June average: US\$68 billion was raised by 109 funds during Q2<sup>5</sup>. The size of the average new fund is materially larger than the underlying funds targeted by the LP. Consequently, much

of the newly committed capital will target a different set of investment opportunities than this Fund.

Also according to Preqin, private equity backed deals increased in value in Q2 2017 compared with the previous quarter 2017. Globally, private equity backed deals in Q2 accounted for an aggregate value of US\$83.2 billion across 1,001 companies compared with US\$55.3 billion across 1,008 companies in Q1 2017. However, Q2 numbers were down compared with the same period in 2016, when private equity backed 1,113 companies with an aggregate value of US\$99.6 billion<sup>6</sup>.

In North America, deal value jumped substantially from the previous quarter. During Q2, 537 companies were backed by private equity, in deals worth US\$55.4 billion. This more than doubled the Q1 value of US\$25.2 billion for 535 companies and only slightly below the Q2 2016 aggregate value of US\$56.9 billion for 534 companies<sup>6</sup>.

With regards to global private-equity backed exits, Q2 resulted in 381 companies being sold for an aggregate value of US\$59.3 billion, again an increase over the first quarter aggregate value of US\$48.4 billion for 419 companies, but a decrease compared to Q2 2016 numbers of US\$96.0 billion for 504 companies. Private equity backed exits in North America accounted for well more than half of the global activity in value, with 178 exits worth US\$36.2 billion in aggregate<sup>6</sup>.

With more capital being allocated to larger funds, which are chasing larger deals, this Fund remains well positioned in the small-to-medium sized private investment fund niche.

### Notes:

1. Source: Walsh & Company Investments Limited. Historical performance is not a guarantee of future Fund performance.
2. Administration and Responsible Entity fee pre-GST. No GST applicable to Investment Manager fee.
3. Total returns are inclusive of distributions. Net return is net of fees and costs.
4. Inception date July 2016.
5. Source: Preqin, Q2 2017 Fundraising Update.
6. Source: Preqin, Q2 2017 Buyout Deals and Exits.

## Underlying Fund Activity

**DFW Capital Partners V, L.P. (DFW)** No material investment activity during the quarter.

**Elephant Partners Fund I, L.P. (Elephant)** No material investment activity during the quarter.

**Encore Consumer Capital Fund III, L.P. (Encore)** No material investment activity during the quarter.

**Gemspring Capital Fund I, L.P. (Gemspring)** Gemspring invested in United Group Programs (UGP), a leading designer, marketer and administrator of healthcare benefit products and services. UGP was founded in 1968 and is both a Third-Party Administrator (TPA) and Managing General Agent (MGA) of healthcare benefits. The company offers specialty products and services that are sold through an extensive broker network to small and mid-sized businesses. <http://www.ugpinc.com/>

**Growth Street Partners I, L.P. (Growth Street)** Growth Street invested in Pear Deck, a provider of real-time classroom engagement software (SaaS). Pear Deck's software enables K-12 teachers, schools, and school districts to engage students, improve educational outcomes, and enhance the teacher experience. <https://www.peardeck.com/>

**Incline Equity Partners IV, L.P. (Incline)** No material investment activity during the quarter.

**Luminate Capital Partners, L.P. (Luminate)** During the quarter, the LP committed to Luminate. Luminate had invested in two companies prior to the commitment (of which the Fund now has an indirect share). As a result, the Fund's share of the capital was called at the time of the LP's commitment in Q2 2017.

Luminate invested in Fintech, a leading provider of data, payment and software solutions to the alcohol beverage industry. Fintech's flagship product, OneSource®, provides the alcohol beverage industry a single-source, secure payment solution that ensures invoices are paid on time and in compliance with a highly-regulated environment. <http://www.fintech.net/corp/>

Luminate invested in Oversight Insights On Demand (Oversight), a provider of software (SaaS) solutions that automate spending program compliance. Through a comprehensive analysis of expense-related transactional data, Insights On Demand reduces operating expenses by identifying inappropriate spending patterns and uncovers misuse, fraud and compliance violations within travel and expense, purchase card, and accounts payable programs. <https://www.oversightsystems.com/>

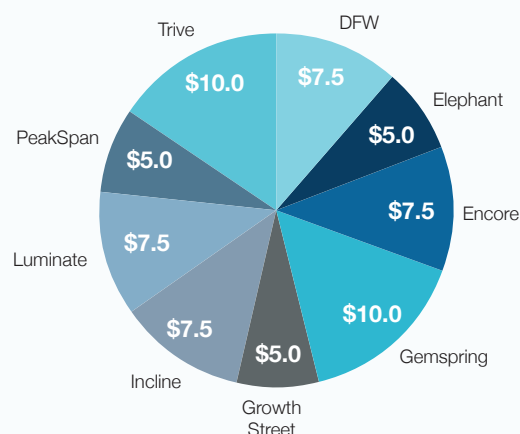
**PeakSpan Capital Fund I, L.P. (PeakSpan)** PeakSpan invested in Cloudbeds, a leading provider of hospitality management software for independent properties (hotels, hostels, inns, bed and breakfasts, campgrounds, vacation rentals, and more). Founded in late 2012, Cloudbeds now has 102 employees worldwide with offices in San Diego, São Paulo, and Dublin. Its software now services tens of thousands of properties in more than 120 countries. <https://www.cloudbeds.com/>

**Trive Capital Fund II, L.P. (Trive)** Trive invested in uSell, a large market maker of used smartphones. uSell acquires used smartphones, which it grades and repairs, and then distributes throughout the world using both its internal sales force and an automated online platform. <http://www.usell.com/>

Trive invested in Circle 8, a provider of operated and maintained crane-lifting and pumping services to the oil and gas, commercial and industrial markets in the southern United States. Circle 8 owns and operates one of the largest fleets of mobile and all-terrain cranes in the territories it serves, as well as a fleet of auxiliary vehicles and equipment. <http://www.circle8services.com/>

Trive invested additional capital in Lucky Bucks.

## LP commitments to underlying managers (US\$65.0m)



Note:

The Fund has a 61.8% 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.

## Investment objectives

The General Partner (GP) and Investment Manager will seek to meet the Fund's aim to provide Unitholders with:

- a) exposure to a portfolio of investments in small- and mid-market private investment funds and privately held companies predominantly focused in the US; and
- b) capital growth over a five- to ten-year investment horizon.

## About the US Select Private Opportunities Fund Series

The US Select Private Opportunities Fund series is a joint venture between the private investment arm of the Cordish family of Baltimore, Maryland, and Walsh and Company.

The joint venture is anchored in the belief that smaller and more nimble private equity funds materially outperform larger private equity funds, and the Fund series was formed to provide investors with a platform to invest in a portfolio of small to mid-market private equity funds and companies, a strategy that is typically beyond the reach of all but the largest endowments and family offices.

The Fund series provides investors with the opportunity to avail themselves of 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 U.S. and to invest side-by-side and on equal terms with the Cordish Family in these compelling opportunities.

The US Select Fund series replicates the long-time private equity investment strategy of the Cordish Family Office, which both the Cordish Family Office and US Select's management believes delivers optimal risk-reward parameters for private equity investing, particularly for family offices.

## About Walsh & Company

The Walsh & Company Group is a Sydney-based specialist global fund manager co-founded in 2007 by Max Walsh. The Company has over \$3.2 billion of investor assets under management across global equities, residential and commercial property, private equity, fixed income, and sustainable and social investments.

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

Walsh & Company Investments Limited is the Responsible Entity of the Fund and is a wholly owned subsidiary of Walsh & Company Group.

## Risks

Like all investments, an investment in the Fund 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 Fund include, but are not limited to, private investments risk, illiquidity risk and foreign

exchange risk. For further information about the risks of investing in the product see Section 9 of the Product Disclosure Statement dated 15 June 2016.

## Key investment team members



**Jonathan Cordish**

Chairman of the Advisory Board



**Jonathan Sinex**

Principal, Cordish Private Ventures



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## Important information

This Quarterly Update (**Update**) has been prepared by Walsh & Company Investments Limited as Responsible Entity (ACN 152 367 649, AFSL 410 443) of US Select Private Opportunities Fund III (**Fund**). An investment in the Fund is subject to various risks, many of which are beyond the control of the Investment Manager and the Fund. The past performance of the Fund is not a guarantee of the future performance of the Fund. This Update contains statements, opinions, projections, forecasts and other material (**forward looking statements**), based on various assumptions. Those assumptions may or may not prove to be correct. None of the Responsible Entity and the Fund, their officers, employees, agents, analysts nor any other person named in this Update makes 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. 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 the product.