

Appendix 4D
Half-Year Report
For the half-year ended 30 September 2021

Name of entity

CD Private Equity Fund II

ARSN

Reporting Period

Previous Corresponding Period

162 057 089

1 April 2021 to 30 September 2021

1 April 2020 to 30 September 2020

Results for announcement to the market

| | | 30 September 2021 (\$) |
|---|-----------------|---------------------------|
| Total investment income ("revenue from ordinary activities") | Up by 340.3% to | \$25,614,233 |
| Net operating profit for the period ("profit from ordinary activities after tax attributable to unitholders") | Up by 285.8% to | \$21,451,909 |
| Total comprehensive income ("net profit for the period attributable to unitholders") | Up by 285.8% to | \$21,451,909 |

Commentary on results

Refer to attached Half-Year Report including Report to Unitholders. Additional Appendix 4D disclosure requirements can be found in the notes to the Half-Year Report.

Distributions

| | Amount per Unit |
|--|-----------------|
| Distribution (paid on 29 June 2021) | 34 cents |
| Total Distributions | 34 cents |

There is no Distribution Reinvestment Plan in operation in respect to this distribution.

Net tangible assets per unit

| | |
|------------|--------|
| 30/09/2021 | \$2.29 |
| 31/03/2021 | \$2.23 |

Earnings per unit

| | 30 September 2021 | 30 September 2020 |
|----------------------------------|-------------------|-------------------|
| Basic earnings/(loss) per unit | 38.95 cents | (20.92) cents |
| Diluted earnings/(loss) per unit | 38.95 cents | (20.92) cents |

Financial Report

This report is based on the 30 September 2021 Half-Year report and has been reviewed by Deloitte Touche Tohmatsu.



Half-Year Financial Report

FOR THE HALF-YEAR ENDED
30 SEPTEMBER 2021

ARSN 162 057 089

RESPONSIBLE ENTITY



E&P Investments Limited
(ACN 152 367 649) (AFSL 410 433)

CD Private Equity Fund II

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30 September 2021

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CD Private Equity Fund II
Report to unitholders
30 September 2021

Dear Unitholders,

We present to you this report on the performance of the CD Private Equity Fund II (**Fund**) for the six-month period ended 30 September 2021 (**HY22**).

For the six-month period ended 30 September 2021, the Fund generated total returns of 21.3%, on a post-tax net asset value basis and inclusive of the 34 cent per Unit distribution paid to Unitholders in June 2021. This performance reflects the strong returns from underlying investment managers arising from buoyant equity markets and private equity deal flows in the United States (**US**) during the period. On the same basis, the Fund has generated total returns of 13.3% p.a. since inception (inclusive of distributions and net of all fees).

The performance of the Fund's investment in the US Select Private Opportunities Fund, L.P. II (**LP**), the investment vehicle through which the Fund's investments in the underlying US private investment funds are made, was strong during the period, up 17.3% in US dollar terms. The depreciation in the Australian dollar against the US dollar was also accretive to unit value performance this period, with the Australian dollar falling from 75.98 US cents to 72.27 US cents, leading to an unrealised foreign currency translation gain of \$5.4 million. Overall, during the period the Fund posted a net profit of \$21.5 million, or 38.95 cents per Unit, compared with a loss of \$11.5 million, or 20.92 cents per Unit for the corresponding period last year. At 30 September 2021, the Fund had pre-tax net assets of \$135.1 million representing \$2.47 per Unit and post-tax net assets of \$125.2 million representing \$2.29 per Unit.

Market conditions

Globally, capital markets have recovered strongly in the 12-18 months since the initial impact of COVID-19 were felt. Despite the current spread of the Delta variant, momentum remained positive in HY22 as global economic conditions continued to improve, underpinned by successful vaccination rollouts and the gradual reopening of major developed markets.

Equity markets remain close to record highs, interest rates remain at low levels and liquidity in capital markets remains high. Global M&A (mergers and acquisitions) hit record highs in HY22 and private equity firms, helped by a strong fund-raising environment, are participating at an increasing deal size and rate. This current market dynamic is highly supportive for the lower-middle market, where the Fund has targeted its investment, and has resulted in many strong outcomes this period, some well above our expectations.

Recent meetings with our underlying managers have been universally positive, and momentum from the second half of 2020 has clearly continued into 2021, however US inflation concerns are rising, along with yield curves, and this may dampen the recent positive market sentiment. Supply-side constraints (freight delays and production at capacity), inflationary pressures in the labour market, rising energy costs and strong economic activity all lead to a possibility that inflation may not be as "transitory" as initially expected.

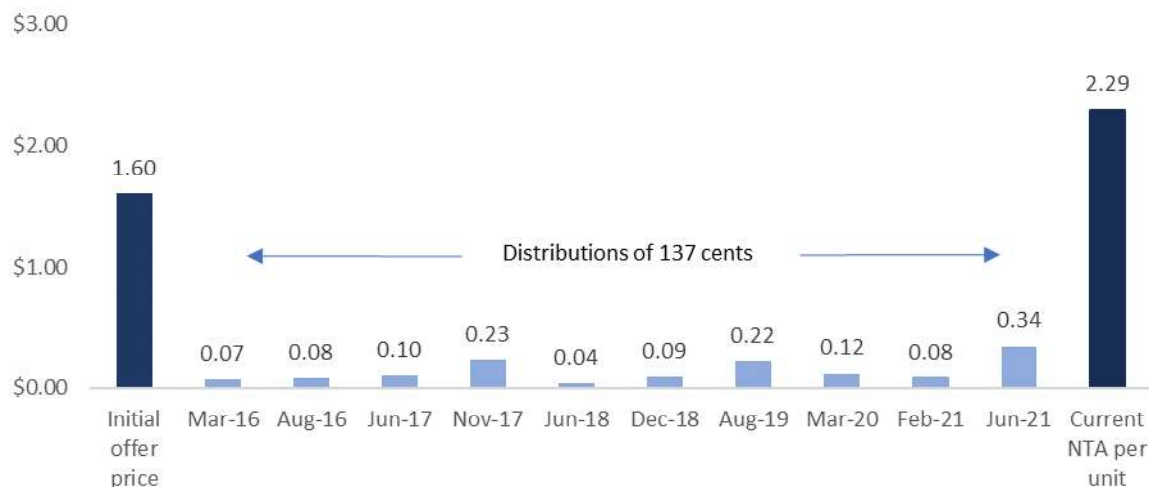
Distributions

The Fund announced one distribution to unitholders in HY22, paying 34 cents per Unit on 29 June 2021.

The distributions paid since inception are shown in the graphic below, which also indicates the value of the original investment and the net tangible asset per Unit as at the end of this six-month period. Total distributions paid to investors since inception of 137 cents per Unit represents 86% of the \$1.60 initial offer price.

CD Private Equity Fund II
Report to unitholders
30 September 2021

CD2 Unit Value and Income



In addition to returning funds to Unitholders via distributions, the Fund commenced an on-market buyback of Units on 29 June 2021 and as at 30 September had bought back 470,395 units at an average price per unit of \$1.50, which is accretive to NAV for remaining Unitholders.

Positioning of the Fund

The Fund’s investment objectives are to provide Unitholders with exposure to a portfolio of investments in small-to-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.

Through its investment in the LP, the Fund is fully committed across 12 highly attractive US private investment funds all focused on small-to-mid-market private investment opportunities, for a total consideration of US\$98.0 million.

At 30 September 2021 US\$81.4 million (or 95.3% of total funds committed) had been called by the LP. The Fund’s proportionate share of this is approximately US\$71.1 million (an 87.3% share).

During the period, the LP received nine drawdown requests, for a total net position paid of US\$0.2million. At 30 September 2021, net drawdown requests from underlying investments were approximately US\$83.5 million (or 85.3% of LP total commitments). Net flows to the LP for the period, including distributions were approximately US\$20.0 million.

Underlying portfolio update

The LP made a distribution of US\$17.0 million to limited partners in May 2021. CD2’s net share was US\$14.6 million which resulted in the 34 cent per unit distribution paid to unitholders at the end of June 2021. In addition, the General Partner of the LP has released US\$3.2 million of unfunded commitments from its limited partners, resulting in a reduction to US\$4.0 million of remaining commitments to the LP.

RFE Investment Partners VIII, L.P. (RFE) sold three portfolio companies, including PCX Aerosystems, resulting in total aggregate distributions of US\$3.5 million to the LP.

High Road Capital Partners Fund II, L.P. (High Road) sold portfolio company Cali Bamboo, resulting in a distribution of US\$1.1 million to the LP.

Main Post Growth Capital, L.P. (Main Post) sold portfolio company Nulo and received escrowed proceeds from prior sale of Arch Global Precision, resulting in a net distribution of US\$0.9 million to the LP.

CD Private Equity Fund II
Report to unitholders
30 September 2021

DFW Capital Partners IV, L.P. (DFW IV) paid a distribution to the LP following a structured secondary transaction. The LP's exposure to DFW IV has now been substantially reduced.

US Direct Private Equity (US) L.P. (US Select Direct) sold portfolio company AFC Holding Company (**AFC**) and also received proceeds from the successful sale of a co-investment with another partner fund resulting in an aggregate distribution from US Select Direct of US\$5.1 million to the LP.

Blue Point Capital Partners III, L.P. (Blue Point) sold Perimeter Brands, LLC (**Perimeter Brands**) resulting in a distribution to the LP of US\$1.1 million.

NMS Fund II, L.P. (NMS) portfolio company Avaap sold its Infor business unit to NYSE listed ASGN Incorporated, resulting in a distribution of US\$0.5 million to the LP. NMS also called capital to fund an add-on investment.

Staple Street Capital II, L.P. (Staple Street) called capital to fund an investment made in the prior half-year and distributed capital and investment proceeds resulting in a net flow of \$US0.03 million. The remaining portfolio managers, including **Chicago Pacific Founders Fund, L.P. (Chicago Pacific)**, **Tower Arch Partners I, L.P. (Tower Arch)** and **Trive Capital Fund I, L.P. (Trive)** had no material investment activity during the half year.

I would like to thank Unitholders for their continued support and look forward to presenting future updates on the Fund and the small-to-mid-market US-based private investment market, in which the Fund is invested.

Yours faithfully,



Stuart Nisbett
Chair of E&P Investments Limited, Responsible Entity

29 November 2021

CD Private Equity Fund II
Directors' report
30 September 2021

The directors of E&P Investments Limited, the Responsible Entity of the CD Private Equity Fund II (**Fund**), present their report together with the condensed financial statements of the Fund for the half-year ended 30 September 2021.

Directors

The directors of the Responsible Entity at any time during or since the end of the financial half-year are listed below:

- Stuart Nisbett
- Peter Shear
- Warwick Keneally
- Mike Adams

Directors have been in office since the start of the half-year to the date of this report unless otherwise stated.

Principal activities and significant changes in nature of activities

The principal activity of the Fund during the half-year was investing in small-to-mid market private investment funds and privately held companies with a predominate focus in the US. There were no significant changes in the nature of these activities.

Review and results of operations

The profit for the Fund after providing for income tax amounted to \$21,451,909 (30 September 2020: loss of \$11,544,109).

The key components of this result included a \$25,653,826 fair value gain (2020: \$9,843,432 loss) on the Fund's investment in the US Select Private Opportunities Fund II, L.P. (**LP**) during the period. As at 30 September 2021, the Fund had net assets of \$125,158,199 (31 March 2021: \$123,179,714), representing \$2.29 per unit (31 March 2021: \$2.23 per unit), after paying a distribution of \$0.34 per unit to unitholders during the half-year.

The Fund's portfolio of underlying private investment funds continues to operate with limited COVID-19 disruptions. The Investment Manager is monitoring potential COVID-19 impacts on the valuation of Fund's portfolio of underlying private investment funds.

The Fund has invested in a limited partnership, US Select Private Opportunities Fund II, L.P. (**LP**), which, in turn, invests in small-to-mid market private investment funds and companies. The LP has committed capital across 12 underlying private investment funds which focus on a range of industries including consumer products, manufacturing and business services. For the half-year ended 30 September 2021, these underlying private investment funds made drawdown requests on the LP to fund their investments, management fees and operating expenses. Net drawdown requests made by the underlying private investment funds since inception to the end of the half-year totalled US\$83.5 million.

In May 2021, the Fund's capital commitment was reduced from US\$77.3 million to US\$74.6 million, representing an interest of 87.3% in the LP. The Fund's proportionate share of the total capital called as at 30 September 2021 was US\$71.1 million (or \$98.3 million).

Distributions

Distributions paid during the financial half-year were as follows:

| | 30 September 2021 \$ | 30 September 2020 \$ |
|---|--|--|
| Distribution - 34 cents per unit paid on 29 June 2021 | <u>18,764,614</u> | <u>-</u> |

Events subsequent to the reporting period

No matter or circumstance has arisen since 30 September 2021 that has significantly affected, or may significantly affect the Fund's operations, the results of those operations, or the Fund's state of affairs in future financial years.

CD Private Equity Fund II
Directors' report
30 September 2021

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the directors



Stuart Nisbett
Chair of E&P Investments Limited, Responsible Entity

29 November 2021

The Board of Directors
E&P Investments Limited
as Responsible Entity for:
CD Private Equity Fund II
Level 15
100 Pacific Highway
NORTH SYDNEY NSW 2060

29 November 2021

Dear Board Members

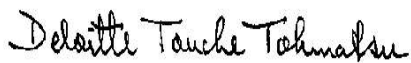
Auditor's Independence Declaration to CD Private Equity Fund II

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of the Responsible Entity of CD Private Equity Fund II.

As lead audit partner for the review of the half financial report of CD Private Equity Fund II for the half year ended 30 September 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- Any applicable code of professional conduct in relation to the review.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Weng W Ching
Partner
Chartered Accountants

CD Private Equity Fund II
Condensed statement of profit or loss and other comprehensive income
For the half-year ended 30 September 2021

| | | 30 | 30 |
|---|-------------|--------------------|---------------------|
| | Note | September | September |
| | | 2021 | 2020 |
| | | \$ | \$ |
| Investment income | | | |
| Interest income | | 3,891 | 10,918 |
| Foreign exchange loss | | (43,484) | (825,874) |
| Fair value movements of equity investments | 4 | 25,653,826 | (9,843,432) |
| Total investment income/(loss) | | <u>25,614,233</u> | <u>(10,658,388)</u> |
| Expenses | | | |
| Management and administration fees | 8 | (267,677) | (285,414) |
| Listing fees | | (21,820) | (27,074) |
| Custody fees | 8 | (10,571) | (14,578) |
| Registry fees | | (27,976) | (17,418) |
| Legal and professional fees | 8 | (90,890) | (55,607) |
| Other expenses | | (2,649) | (12,627) |
| Total expenses | | <u>(421,583)</u> | <u>(412,718)</u> |
| Profit/(loss) before income tax expense | | 25,192,650 | (11,071,106) |
| Income tax expense | | <u>(3,740,741)</u> | <u>(473,003)</u> |
| Profit/(loss) after income tax expense for the half-year | | 21,451,909 | (11,544,109) |
| Other comprehensive income for the half-year, net of tax | | - | - |
| Total comprehensive income/(loss) for the half-year | | <u>21,451,909</u> | <u>(11,544,109)</u> |
| | | Cents | Cents |
| Basic earnings/(loss) per unit | 3 | 38.95 | (20.92) |
| Diluted earnings/(loss) per unit | 3 | 38.95 | (20.92) |

The above condensed statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

CD Private Equity Fund II
Condensed statement of financial position
As at 30 September 2021

| | Note | 30 September 2021 \$ | 31 March 2021 \$ |
|--------------------------------------|-------------|---|---------------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 12,184,387 | 12,876,566 |
| Receivables | | 45,241 | 23,776 |
| Current tax assets | | 422,128 | 340,444 |
| Total current assets | | <u>12,651,756</u> | <u>13,240,786</u> |
| Non-current assets | | | |
| Other financial assets | 4 | <u>123,052,196</u> | <u>115,737,477</u> |
| Total non-current assets | | <u>123,052,196</u> | <u>115,737,477</u> |
| Total assets | | <u>135,703,952</u> | <u>128,978,263</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | <u>172,701</u> | <u>221,754</u> |
| Total current liabilities | | <u>172,701</u> | <u>221,754</u> |
| Non-current liabilities | | | |
| Deferred tax | 5 | <u>10,373,052</u> | <u>5,576,795</u> |
| Total non-current liabilities | | <u>10,373,052</u> | <u>5,576,795</u> |
| Total liabilities | | <u>10,545,753</u> | <u>5,798,549</u> |
| Net assets | | <u>125,158,199</u> | <u>123,179,714</u> |
| Equity | | | |
| Unit capital | 6 | 86,387,666 | 87,096,476 |
| Retained earnings | | <u>38,770,533</u> | <u>36,083,238</u> |
| Total equity | | <u>125,158,199</u> | <u>123,179,714</u> |

The above condensed statement of financial position should be read in conjunction with the accompanying notes

CD Private Equity Fund II
Condensed statement of changes in equity
For the half-year ended 30 September 2021

| | Unit capital | Retained | Total equity |
|--|---------------------|-------------------|---------------------|
| | \$ | earnings | \$ |
| | | \$ | |
| Balance at 1 April 2020 | 87,096,476 | 41,277,538 | 128,374,014 |
| Loss after income tax expense for the half-year | - | (11,544,109) | (11,544,109) |
| Other comprehensive income for the half-year, net of tax | - | - | - |
| Total comprehensive loss for the half-year | - | (11,544,109) | (11,544,109) |
| Balance at 30 September 2020 | <u>87,096,476</u> | <u>29,733,429</u> | <u>116,829,905</u> |
| | Unit capital | Retained | Total equity |
| | \$ | earnings | \$ |
| | | \$ | |
| Balance at 1 April 2021 | 87,096,476 | 36,083,238 | 123,179,714 |
| Profit after income tax expense for the half-year | - | 21,451,909 | 21,451,909 |
| Other comprehensive income for the half-year, net of tax | - | - | - |
| Total comprehensive income for the half-year | - | 21,451,909 | 21,451,909 |
| <i>Transactions with unitholders in their capacity as unitholders:</i> | | | |
| Unit buy-backs (note 6) | (706,998) | - | (706,998) |
| Buy-back costs (note 6) | (1,812) | - | (1,812) |
| Distributions paid (note 7) | - | (18,764,614) | (18,764,614) |
| Balance at 30 September 2021 | <u>86,387,666</u> | <u>38,770,533</u> | <u>125,158,199</u> |

The above condensed statement of changes in equity should be read in conjunction with the accompanying notes

CD Private Equity Fund II
Condensed statement of cash flows
For the half-year ended 30 September 2021

| | 30 September 2021 \$ | 30 September 2020 \$ |
|---|---|---|
| Cash flows from operating activities | | |
| Interest income received | 3,814 | 23,520 |
| Net payments to suppliers | <u>(508,802)</u> | <u>(561,933)</u> |
| Net cash used in operating activities | <u>(504,988)</u> | <u>(538,413)</u> |
| Cash flows from investing activities | | |
| Receipts from distributions | <u>18,908,709</u> | <u>-</u> |
| Net cash from investing activities | <u>18,908,709</u> | <u>-</u> |
| Cash flows from financing activities | | |
| Payment for distribution | (18,764,614) | - |
| Payment for unit buy-backs | (690,220) | - |
| Payment of buy-back costs | <u>(1,812)</u> | <u>-</u> |
| Net cash used in financing activities | <u>(19,456,646)</u> | <u>-</u> |
| Net decrease in cash and cash equivalents | (1,052,925) | (538,413) |
| Cash and cash equivalents at the beginning of the financial half-year | 12,876,566 | 16,290,249 |
| Effects of exchange rate changes on cash and cash equivalents | <u>360,746</u> | <u>(2,072,566)</u> |
| Cash and cash equivalents at the end of the financial half-year | <u><u>12,184,387</u></u> | <u><u>13,679,270</u></u> |

The above condensed statement of cash flows should be read in conjunction with the accompanying notes

CD Private Equity Fund II
Notes to the condensed financial statements
30 September 2021

1. General information

CD Private Equity Fund II (**Fund**) is a Managed Investment Scheme registered and domiciled in Australia. The principal activities of the Fund are to invest in small-to-mid-market private investment opportunities in the United States of America (**US**), through its capacity as a Limited Partner of the US Select Private Opportunities Fund II, L.P. (**LP**) registered in the Cayman Islands.

This half-year financial report is intended to provide users with an update on the latest financial statements of the Fund.

Basis of preparation

(i) Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134: 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

The condensed financial statements were authorised for issue by the directors on 29 November 2021.

(ii) Summary of significant accounting policies

The same accounting policies and methods of computation have been followed in this half-year financial report as were applied in the most recent annual financial statements.

The Fund has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (**AASB**) that are relevant to the operations and effective for the current half-year. The adoption of new and revised Standards and Interpretations has had no material impact on the financial statements.

(iii) Critical accounting estimates and judgements

In the application of the Fund's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Accounting policies which are subject to significant accounting estimates and judgements include fair value determination of the interest held by the Fund in the Limited Partnership (refer to note 4 (iv)), recognition of a deferred tax liability in respect of likely US tax obligations which will arise from underlying fund investment realisations (refer note 5), and selection of Australian dollars as the functional currency of the Fund.

2. Operating segment

The Fund operates a single reportable segment, that being the business of investing in small-to-mid-market private investments in the United States of America through its interest in a Limited Partnership.

The Responsible Entity of the Fund is the Chief Operating Decision Maker (**CODM**) for the purpose of resource allocation and assessing performance of the operating segment.

Revenue, profit or loss, assets, liabilities and other financial information reported and monitored by the CODM of the single identified segment are reflected in the condensed financial statements and notes to the condensed financial statements of the Fund.

CD Private Equity Fund II
Notes to the condensed financial statements
30 September 2021

3. Earnings per unit

| | 30 September 2021 \$ | 30 September 2020 \$ |
|---|--|--|
| Profit/(loss) after income tax | <u>21,451,909</u> | <u>(11,544,109)</u> |
| | Number | Number |
| Weighted average number of ordinary units used in calculating basic earnings per unit | <u>55,077,776</u> | <u>55,190,040</u> |
| Weighted average number of ordinary units used in calculating diluted earnings per unit | <u>55,077,776</u> | <u>55,190,040</u> |
| | Cents | Cents |
| Basic earnings/(loss) per unit | 38.95 | (20.92) |
| Diluted earnings/(loss) per unit | 38.95 | (20.92) |

4. Non-current assets - other financial assets

(i) Equity investment constituting interest in Limited Partnership (LP) - at fair value:

| | 30 September 2021 \$ | 31 March 2021 \$ |
|--|--|--------------------------------------|
| US Select Private Opportunities Fund II, LP (LP) | <u>123,052,196</u> | <u>115,737,477</u> |

| | 30 September 2021 \$ | 31 March 2021 \$ |
|--|--|--------------------------------------|
| (ii) Reconciliation | | |
| Balance at the beginning of the period | 115,737,477 | 121,362,075 |
| Movement in fair value through profit or loss* | 25,653,826 | 4,575,938 |
| Distributions received from LP^ | <u>(18,339,107)</u> | <u>(10,200,536)</u> |
| Balance at the end of the period | <u>123,052,196</u> | <u>115,737,477</u> |

* Included in the 'movement in fair value' amount of \$25,653,826 gain (year ended 31 March 2021: \$4,575,938 gain) is an unrealised foreign exchange translation gain component of \$5,449,375 (year ended 31 March 2021: \$24,973,364 loss). This amount is also net of the Fund's 87.3% share of management fees paid by the LP to the General Partner of the LP, totaling \$1,000,098 (year ended 31 March 2021: \$2,133,319) (refer to note 8).

^ Net distribution of \$579,389 (US\$415,483) (year-ended 31 March 2021: \$5,788,105 (US\$4,277,158)) received from the LP was through the LP's settlement of the Fund's US tax obligations on behalf of the Fund, contributing to a reduction in the Fund's current tax asset.

CD Private Equity Fund II
Notes to the condensed financial statements
30 September 2021

4. Non-current assets - other financial assets (continued)

(iii) Fund's interest in assets and liabilities of LP

The 87.3% economic interest held by the Fund is not represented by voting rights or other power vested in the Fund to make decisions relating to the assets and liabilities of the LP. As is common practice with Limited Partnership arrangements, the General Partner of the LP is considered to be the party who holds the existing rights to direct the relevant activities of the LP, including the acquisition and disposal of investments.

The Fund's 87.3% interest in US Select Private Opportunities Fund II, L.P. at 30 September 2021 is represented by its proportionate interest in the LP's assets and liabilities as follows:

| | 30 | 31 March |
|--|---------------------------|---------------------------|
| | September | 2021 |
| | 2021 | 2021 |
| | \$ | \$ |
| Cash | 16,713,487 | 14,674,966 |
| Investment in US private investment funds recorded at fair value | 103,721,253 | 99,438,646 |
| Other assets | <u>2,617,456</u> | <u>1,623,865</u> |
| Net assets | <u><u>123,052,196</u></u> | <u><u>115,737,477</u></u> |

(iv) Valuation

Valuation technique adopted

As disclosed in the 31 March 2021 annual financial report, the valuation of the Fund's interest in the LP at balance date has been based on the Fund's established valuation basis described below.

The fair value of the Fund's interest in the LP is determined using a proportionate value method based on the Fund's 87.3% interest held in the total net asset value of the LP.

The LP holds investments predominately in US private investment funds, and the LP adopts a similar fair value measurement basis, based on the proportionate interest it holds in the most recent reported total net asset values of the respective investment funds. There is up to a three month difference between the Fund's reporting date and the date of the most recent reported net assets of the underlying investment funds. The underlying investment funds typically invest in US unlisted equity investments with fair values determined periodically based on market or income-based valuation techniques, which may involve the use of unobservable inputs such as discount rate and earnings multiple.

The valuation of the Fund's equity investment in the LP is based on the fair values of the underlying investment funds at 30 June 2021 adjusted for any changes to those valuations to reflect movements to 30 September 2021, including foreign exchange translation impacts arising from translating the USD denominated interest in the LP to AUD at each balance date.

The COVID-19 pandemic is still on-going, with asset markets experiencing volatility, as well as creating uncertainty on its future economic impact. The Investment Manager continues to monitor potential COVID-19 impacts on the valuation of the Fund's portfolio of underlying private investment funds. The fair value of Fund's interest in the LP was determined based on conditions existing at balance date. The prolonged duration of the pandemic as well as uncertainties as to future economic conditions may impact on the future fair value of the Fund's interest in the LP.

CD Private Equity Fund II
Notes to the condensed financial statements
30 September 2021

4. Non-current assets - other financial assets (continued)

Investment risks

As noted above, the LP has invested in underlying private investment funds in the US market who have in turn invested in a portfolio of private equity investments. Because of the absence of any liquid trading market for these types of investments, it may take longer to liquidate these investments than would be the case for marketable securities and accordingly the value obtained on realisation may differ to the estimated fair values at balance date. As there are no directly observable prices, the fair values assigned by the investment funds to each investment are based on a range of factors, including but not limited to the initial purchase price, market trading multiples and observed transaction metrics. The resulting valuations may differ significantly from the values that would have been realised had a transaction taken place at balance date. The differences would directly impact the value of the interest held by the LP in the underlying investment funds and consequently the value of the interest held by the Fund in the LP. Estimation uncertainty also arises in relation to likely US tax obligations the Fund will incur in connection with realisation of recorded fair value movements (refer to note 5).

Inter-relationship between significant unobservable inputs and fair value measurement

The inter-relationship between the significant unobservable inputs and fair value measurements is such that the higher the growth rates or earnings multiples adopted by the underlying investment funds, the higher the resultant fair value determination of the underlying equity investments, and therefore ultimately the higher the fair value of the Fund's investment in the LP. Since neither the Fund itself, nor the LP, has access to the underlying detailed equity investment valuations performed by the US investment funds, it is unable to assess the sensitivity of fair value determinations to changes in underlying unobservable inputs. However, at the Fund level, a 5% change (increase/decrease) in the carrying value of the LP's interest held in the underlying US investment funds would result in a \$5,186,063 impact (increase/decrease) in the carrying value of the Fund's investment in the LP. A 5% increase in the AUD/USD exchange rate would decrease the value of the Fund's investment in the LP by \$5,958,240. Conversely, a 5% decrease would increase the value of the Fund's investment by \$6,367,440. Refer to note 1(iii) for further details regarding investment risks and estimation uncertainty applied in the determination of the fair value of the underlying unlisted equity investments to which the Fund is exposed.

(v) Capital commitments

As at 30 September 2021, the Fund has made capital commitments totaling US\$74.6 million to the LP, of which US\$71.1 million has been called at balance date.

As at 30 September 2021, the Fund has uncalled capital commitments of US\$3.5 million (or \$4.8 million) outstanding to the LP. The capital commitments can be called at any time in the future.

The uncalled capital commitments referred to above were converted at the half-year end AUD:USD exchange rate of 0.7227.

5. Non-current liabilities - deferred tax

| | 30 | 31 March |
|------------------------|-------------------|------------------|
| | September | 2021 |
| | 2021 | 2021 |
| | \$ | \$ |
| Deferred tax liability | <u>10,373,052</u> | <u>5,576,795</u> |

The deferred tax liability has been assessed based on an estimate of likely US tax obligations the Fund will incur upon realisation of recorded fair value movements in connection with certain underlying private equity investments. This estimate is subject to estimation uncertainty as a result of limitations in the availability of information pertaining to the tax structure of the underlying investments in respect of which the Fund has an interest.

CD Private Equity Fund II
Notes to the condensed financial statements
30 September 2021

6. Equity - unit capital

| | 30 | 31 March | 30 | 31 March |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|
| | September | 2021 | September | 2021 |
| | Units | Units | \$ | \$ |
| Ordinary units - fully paid | <u>54,719,645</u> | <u>55,190,040</u> | <u>86,387,666</u> | <u>87,096,476</u> |

Movements in ordinary unit capital

| Details | Date | Units | \$ |
|----------------|-------------------|-------------------|-------------------|
| Balance | 1 April 2021 | 55,190,040 | 87,096,476 |
| Unit buy-backs | | (470,395) | (706,998) |
| Buy-back costs | | - | (1,812) |
| Balance | 30 September 2021 | <u>54,719,645</u> | <u>86,387,666</u> |

All issued units are fully paid. The holders of ordinary units are entitled to one vote per unit at meetings of the Fund and are entitled to receive distributions declared from time to time by the Responsible Entity.

Unit buy-back

There is a current on-market unit buy-back.

7. Equity - distributions

Distributions paid during the financial half-year were as follows:

| | 30 | 30 |
|---|-------------------|------------------|
| | September | September |
| | 2021 | 2020 |
| | \$ | \$ |
| Distribution - 34 cents per unit paid on 29 June 2021 | <u>18,764,614</u> | <u>-</u> |

8. Related party disclosures

Directors

Stuart Nisbett, Peter Shear, Warwick Keneally and Mike Adams are directors of the Responsible Entity, E&P Investments Limited, and are deemed to be key management personnel. The key management personnel do not receive compensation from the Fund or from the Responsible Entity directly for their management function performed for the Fund.

Management fees

The Responsible Entity's duties include establishing the Fund's compliance plan and procedures and monitoring against regulatory and legislative requirements, the issuance of disclosure documents, the appointment and monitoring of external service providers to the Fund and overall administration of the Fund.

For these services, the Responsible Entity charged management fees of 0.33% per annum (exclusive of GST) on the gross asset value of the Fund. This is comprised of the Responsible Entity Fee of 0.08% per annum and Administration Fee of 0.25% per annum. Management fees are paid to the Responsible Entity quarterly in advance.

The total management fees paid to the Responsible Entity for the half-year ended 30 September 2021 was \$198,060 (2020: \$213,686), exclusive of GST. There were no outstanding management fees as at 30 September 2021 (2020: nil).

CD Private Equity Fund II
Notes to the condensed financial statements
30 September 2021

8. Related party disclosures (continued)

Fund administration fee

Australian Fund Accounting Services Pty Limited, a wholly-owned subsidiary of E&P Financial Group Limited, the parent of the Responsible Entity, provides fund administration services to the Fund under an agreement with the Responsible Entity. These services include net asset valuation, management accounting, statutory reporting, capital management and taxation. Total fund administration fees paid or payable for the half-year ended 30 September 2021 were \$60,000 (2020: \$60,000), exclusive of GST.

Investment manager fee

US Select Private Opportunities Fund II, L.P. (**LP**), in which the Fund holds an 87.3% interest, is required to pay its Investment Manager, US Select Private Opportunities Fund II, GP, being an entity associated with the Responsible Entity, for acting on behalf of the limited partnership to acquire, manage and transact on partnership interests within the scope of the limited partnership agreement, a fee equivalent to 2% per annum of the total funds committed by the partners to the LP. The fee is payable quarterly in advance from the funds of the LP. The total fees paid or payable during the half-year ended 30 September 2021 amounted to \$1,145,588 (US\$861,679) (2020: \$1,269,236 (US\$871,585)). The Fund's 87.3% interest equates to \$1,000,098 (2020: \$1,108,043). This fee is recorded in the books of the LP.

US Select Direct Private Equity Fund (US), L.P.

At balance date, the Fund's share of the LP's investment in US Select Direct Private Equity Fund (US), L.P. was \$16,394,119 (US\$11,848,030) (31 March 2021: \$15,153,148 (US\$11,513,362)). The General Partner of this investment is associated with the Responsible Entity of the Fund. The LP's share of the investment management fees paid to the General Partner for the half-year ended 30 September 2021 amounted to \$13,732 (US\$10,329). The Fund's 87.3% interest equates to \$11,988 (US\$9,017).

Custodial services

The Responsible Entity provided custodial services to the Fund in its personal capacity (**Custodian**) under a custody arrangement with E&P Investments Limited up to 17 August 2020. The Custodian received fees equivalent to the greater of 0.02% per annum of the gross asset value of the Fund less a discount of 10%, or \$15,000 indexed to CPI annually less a discount of 10%. The fees were payable quarterly in arrears. Total fees paid or payable to the Responsible Entity for the half-year ended 30 September 2021 were nil (2020: \$12,647 exclusive of GST). Effective 17 August 2020, the Fund's custodial services were fully outsourced to an external service provider.

Legal and consulting services

MDA1 Pty Limited, trading as MA Law, provides legal and consulting services to the Responsible Entity and the investment schemes under its control. Mike Adams, a director of the Responsible Entity, is also a director and shareholder of MDA1 Pty Limited. The fees paid or payable during the half-year ended 30 September 2021 were \$3,358 (2020: \$2,565), exclusive of GST, and are included in the legal and professional fees in the condensed statement of profit or loss and other comprehensive income.

9. Fair value measurement

Fair value

The fair value of financial assets and financial liabilities approximate their carrying values at the reporting date.

The table below analyses recurring fair value measurements for financial assets and financial liabilities. The fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to the valuation techniques used. The different levels are defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

CD Private Equity Fund II
Notes to the condensed financial statements
30 September 2021

9. Fair value measurement (continued)

| | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|---|---------------|---------------|---------------|-------------|
| 30 September 2021 | | | | |
| <i>Financial assets carried at fair value</i> | | | | |
| Other financial assets - equity investment constituting interest in US Select Private Opportunities Fund II, LP | - | - | 123,052,196 | 123,052,196 |
| Total assets | - | - | 123,052,196 | 123,052,196 |
| | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
| 31 March 2021 | | | | |
| <i>Financial assets carried at fair value</i> | | | | |
| Other financial assets - equity investment constituting interest in US Select Private Opportunities Fund II, LP | - | - | 115,737,477 | 115,737,477 |
| Total assets | - | - | 115,737,477 | 115,737,477 |

The Fund recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the transfer has occurred. There were no transfers between levels during the period ended 30 September 2021.

Details of the determination of level 3 fair value measurements including the valuation technique adopted and the key underlying unobservable inputs used are set out in note 4 (iv).

The Fund has established a control framework with respect to measurement and assessment of fair values. This framework includes a sub-investment committee that has overall responsibility for analysing the performance and fair value movements of underlying US investment fund holdings during each reporting period.

10. Events after the reporting period

No matter or circumstance has arisen since 30 September 2021 that has significantly affected, or may significantly affect the Fund's operations, the results of those operations, or the Fund's state of affairs in future financial years.

CD Private Equity Fund II
Directors' declaration
30 September 2021

In the opinion of the directors of the Responsible Entity:

- the financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with the Accounting Standards;
- the attached financial statements and notes give a true and fair view of the Fund's financial position as at 30 September 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors of the Responsible Entity made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the directors



Stuart Nisbett
Chair of E&P Investments Limited, Responsible Entity

29 November 2021

Independent Auditor's Review Report to the Unitholders of CD Private Equity Fund II

Conclusion

We have reviewed the half-year financial report of CD Private Equity Fund II ("the Fund"), which comprises the condensed statement of financial position as at 30 September 2021, the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Fund is not in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Fund's financial position as at 30 September 2021 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Fund in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of E&P Investments Limited (the "Responsible Entity"), would be in the same terms if given to the directors as at the time of this auditor's review report.

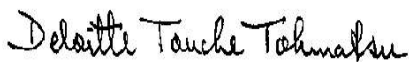
Directors' Responsibilities for the Half-year Financial Report

The directors of the Responsible Entity of the Fund (the "directors") are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

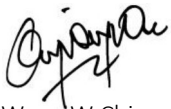
Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Fund's financial position as at 30 September 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



DELOITTE TOUCHE TOHMATSU



Weng W Ching

Partner

Chartered Accountants

Sydney, 29 November 2021

CD Private Equity Fund II
Directory
30 September 2021

The Fund's units are quoted on the official list of Australian Securities Exchange (**ASX**).
The ASX code is **CD2**

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