

# US SELECT PRIVATE OPPORTUNITIES FUND (FUND)

## QUARTERLY UPDATE FOR PERIOD ENDING 30 SEPTEMBER 2014

**ASX: USF**

### Private equity market commentary

The US economy continued to expand in the third quarter of 2014 (3Q 2014). Primarily driven by upturns in private inventory, exports and personal consumption, notably durable goods, stronger growth is expected for the rest of the year.

Although the Australian dollar (AUD) remained strong against the US Dollar (USD) during July and August, September saw the largest monthly fall since mid-2013, with the AUD falling below US\$0.90 for the first time since the start of the year. The AUD dropped 7.3% for the quarter as the US economy strengthened and speculation about rising interest rates continued.

The US transaction market also continues to gain strength, with the total number of deals completed year-to-date up 5.4% (when compared to the same period in 2013). In terms of total dollars, deal activity was up a staggering 94.8%, reflecting a surge in large deal activity. In the smaller end of the market, where the Fund and its managers participate, year-to-date transaction volumes are up 5.8% (when compared to the same period in 2013).

### Fund activity and portfolio

#### FUND UPDATE

The estimated unaudited net tangible asset value before withholding tax on unpaid distributions at 30 September 2014 was \$1.69\* per Unit (30 June 2014 was \$1.57\* per Unit).

Through US Select Private Opportunities Fund, L.P. (LP), the Fund is fully committed across 9 private investment funds for a total consideration of US\$69.8 million, all focused on small-to-mid-market private investment opportunities.

At 30 September 2014, US\$32.5 million (or 46.7%) of total funds committed to the LP had been called. The Fund's proportionate share of this is approximately US\$27.8 million (an 85.5% share).

During the quarter, the LP received 10 drawdown requests for a total net consideration of US\$3.9 million. At 30 September 2014, net drawdown requests from underlying investments were approximately US\$27.0 million, (or 38.8%) of total commitments.

#### SUMMARY OF THE UNDERLYING FUNDS AT 30 SEPTEMBER 2014

UNDERLYING FUND	INDUSTRY FOCUS	LP COMMITMENT (US\$ MILLION) <sup>1</sup>	NET LP CAPITAL DRAWDOWN (US\$ MILLION)
<b>DFW Capital Partners IV, L.P.</b>	Health care, business services and industrial services	\$5.0	\$2.2
<b>Encore Consumer Capital Fund II, L.P.</b>	Non-discretionary consumer products	\$10.0	\$4.4

\* Source: Walsh & Company Investments Limited. Historical performance is not a guarantee of the future performance of the Fund.

UNDERLYING FUND	INDUSTRY FOCUS	LP COMMITMENT (US\$ MILLION) <sup>1</sup>	NET LP CAPITAL DRAWDOWN (US\$ MILLION)
<b>FPC Small Cap Fund I, L.P.</b>	Lower-middle market, service-oriented companies	\$4.0	\$1.8
<b>Incline Equity Partners III, L.P.</b>	Manufacturing, value-added distribution and business services	\$10.0	\$2.6
<b>KarpReilly Capital Partners II, L.P.</b>	Apparel & branded consumer products, retail, restaurants	\$10.0	\$5.2
<b>Peppertree Capital Fund IV, L.P.</b>	Telecommunication infrastructure companies	\$3.0	\$0.7
<b>Prometheus Partners IV, L.P.</b>	Quick service restaurants	\$4.8	\$3.7
<b>Trivest Fund V, L.P.</b>	Manufacturing, distribution, business services, consumer	\$10.0	\$2.5
<b>U.S. Select Direct Private Equity (US), LP</b>	Invests in a direct portfolio of select private companies alongside leading, specialist private investment funds	\$13.0	\$3.9
		<b>\$69.8</b>	<b>\$27.0</b>

Note 1: The Fund has an 85.5% interest in the LP. Cordish Private Ventures, and US Select Private Opportunities Fund GP, LLC, contributed the remaining amount based on their proportional shares.

## Underlying fund activity

**DFW Capital Partners IV, L.P. (DFW)** In August 2014, DFW's portfolio company Sebela acquired the US rights to Miacalcin, a niche pharmaceutical product owned by Novartis AG. Miacalcin is a calcitonin-based product with two forms: a nasal spray indicated for post-menopausal osteoporosis (PMO), approved in 1995, and an injectable treatment used for PMO, hypercalcemia, and Paget's disease, approved in 1986.

**Encore Consumer Capital II, L.P. (Encore)** In July 2014, Encore, through an investment in Butter Acquisition Corp., completed the acquisition of butter LONDON, LLC (butter LONDON). Based in Seattle, Washington, butter LONDON is a uniquely positioned prestige beauty brand built on its iconic nail lacquer and nail treatment products. butter LONDON is focused on growing its recently launched color cosmetics line, which leverages its strong brand position and loyal consumer base. The products are sold primarily in specialty beauty and department stores ([www.butterlondon.com](http://www.butterlondon.com)).

**FPC Small Cap Fund I, L.P. (Fort Point)** In September, Fort Point completed the acquisition of Sullivans, Inc (Sullivans), a leading designer and distributor of seasonal and all-occasion home décor products to specialty retailers. Headquartered in South Dakota, Sullivans has built a reputation for world-class customer service and unique, high quality products that enable specialty retailers to offer true product differentiation and distinctive assortments ([www.sullivangift.com](http://www.sullivangift.com)).

**Trivest Fund V, L.P. (Trivest)** In July 2014, Trivest completed the successful recapitalisation of Advanced Discovery, a leading provider of end-to-end eDiscovery services and document review. The Advanced Discovery transaction represents the fifth portfolio company investment for Trivest ([www.advanceddiscovery.com](http://www.advanceddiscovery.com)).

**Peppertree Capital Fund IV, L.P. (Peppertree)** In September, Peppertree called 15% of total fund capital to invest in tower developments at three existing portfolio companies and to acquire and develop towers at a new portfolio company.



## About the Fund

US Select Private Opportunities Fund (Fund) was formed in June 2012 to invest in US Select Private Opportunities Fund, L.P. (LP). The Fund invested in the LP in partnership with Cordish Private Ventures, LLC, the private investment arm of the Cordish family of Baltimore, Maryland, USA.

The Fund pursues a fund-of-funds strategy, investing as a limited partner in small-to-medium sized private investment funds in the United States, using the experience and relationships of the Cordish family in that market. The Fund represents a unique vehicle for Australian retail investors to access attractive smaller, nimble US private investment funds that have historically outperformed their larger counterparts.

The underlying funds are focused on proven investment strategies in specialised areas. They pursue investments in operating businesses with proven revenues and operating profits, take a hands-on approach to their investments in those businesses and employ moderate and judicious amounts of leverage.