



**US  
SELECT  
PRIVATE  
OPPORTUNITIES  
FUNDS**

**MAY 2015**

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More details about the Funds can be found at <http://www.usselectprivateopportunitiesfund.com.au/> or [www.asx.com.au](http://www.asx.com.au)

# Agenda

- 1) US Select Private Opportunities Fund Series: Overview**
- 2) US Partner: Cordish Private Ventures**
- 3) Private Equity Performance Update**
- 4) Fund Updates**
- 5) Case Study**
- 6) Questions**

# US Select Private Opportunities Funds ("US Select")

- Partnership with an experienced US based family office investor: Cordish Private Ventures, LLC
- US Select invests in top-tier US private investment funds
  - Targets smaller funds (less than \$500m) with significant operating expertise and focus on company-building
  - Selectively pursues direct co-investments to enhance returns and accelerate capital deployment
- Diversified portfolio by industry, strategy, and geography
- Access to companies at a significant discount to average public company valuations while delivering above market growth

# Background on Cordish Private Ventures

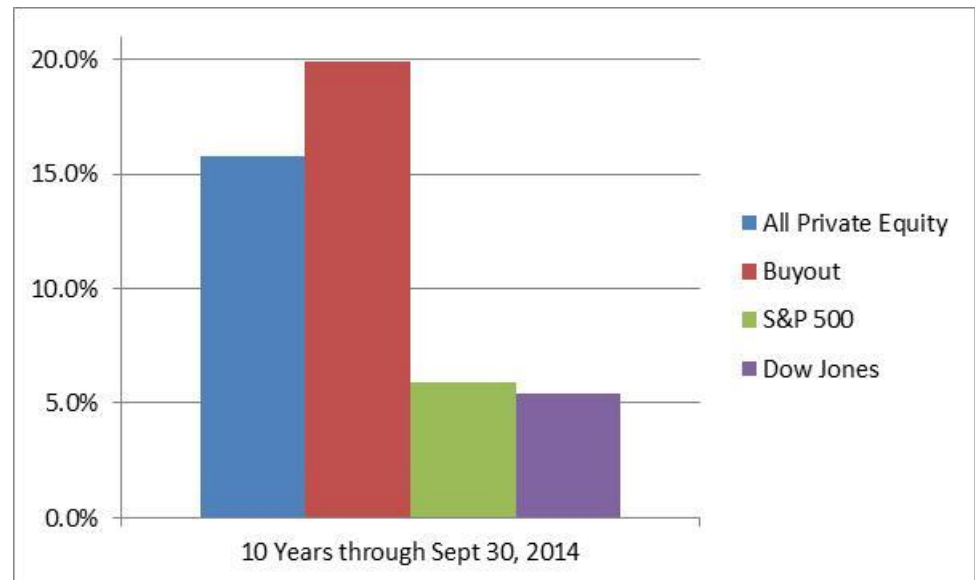
- Private investment division of The Cordish Companies
  - Founded in 1998 by Jonathan Cordish; Jonathan Sinex joins full time in 2012
- Experienced private equity investor
  - 40+ fund commitments prior to 2012
  - Significant direct equity investment experience
- Proven ability to access top-tier managers through proactive sourcing process and value added approach (we are considered more than just capital providers)
- Proven track record delivering strong performance across multiple economic cycles with excellent performance throughout the last downturn
- All private equity investments made by CPV since 2012 have gone through US Select

# US Private Equity overall historic performance

## Private equity has historically been the best performing asset class

- On average, private equity funds have consistently outperformed public equities over the long run
- Private Equity continues to have a positive outlook with 92% of institutional LPs in the US satisfied with recent performance<sup>1</sup>
- 84% of institutional LPs expect to maintain or increase their allocation to private equity in 2015<sup>1</sup>

Annualised Index Returns – through Sept 30, 2014<sup>1</sup>



(1) Horizon IRRs calculated by Prequin, Q1 2015 Private Equity Performance Report.

# Why do we target small cap private companies?

- Market is less efficient, less competitive and a target-rich environment for private capital
  - Characterized by lower entry valuations, modest use of leverage, and greater opportunities to add value
- 95% of all US companies with revenue greater than \$5m have less than \$100m of revenue
- Less than 25% of all private equity capital raised since 2000 is focused on this market
- Small funds are much less reliant on capital markets and financial engineering than larger peers; focus is on growing companies

***Result: Better absolute and risk-adjusted returns***

# Small cap private equity “playbook”

Small cap private equity has historically been the best performing strategy

- Acquire good businesses that have a proven product or service offering at reasonable valuations (typically between 5-7x trailing operating profits)
- Upgrade management team
  - Replace controller with real CFO
  - Add additional sales/marketing staff
- Invest in new growth opportunities
  - Replace older equipment or upgrade/build facilities
  - Enter complimentary new product category or market
- Selectively pursue additional acquisitions

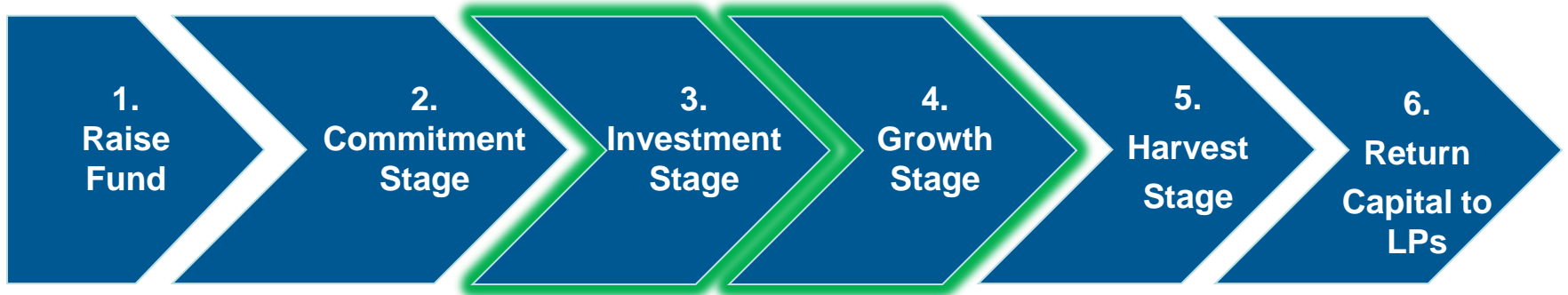
***Goal: Double profits in 5 years and sell business to larger private equity or strategic buyers***



# US Select Private Opportunities Funds

- Current partnership includes two ASX listed funds:
  - **USF (Fund I):** US\$70m of commitments (including US\$10m from Cordish Private Ventures)
    - 9 underlying managers with 58 companies in portfolio
    - Current price: \$2.07, an increase of 29% from Offer Price<sup>1</sup>
  - **USG (Fund II):** US\$95m of commitments (including US\$12m from Cordish Private Ventures)
    - 12 underlying managers with 50 companies in portfolio
    - Current price: \$2.19, an increase of 37% from Offer Price<sup>1</sup>
- Both funds are 100% committed but are still in the capital deployment phase

# Where are we in our investments?



- We have completed the Commitment stage for both Funds
- Most of our managers are about half way through their Investing Stage with their current portfolio companies entering their Growth Stage
- A small number of underlying companies (4-6) may be sold over the next 12 months (less than 5% of current portfolio)
- While it is still early in the cycle we are pleased with the progress to date and feel our portfolios are in great positions for future value creation
- **Majority of returns will be generated in years 6-8 of the Fund life (2018-2020)**

# Recap of 2012-2014

- Over the last 3 years, we have vetted over 250 fund managers and chose 19 (8% hit rate) to partner with across US Select I & II
- We have executed on all facets of our business plan and stayed true to everything we told you back in 2012
  - US small cap only strategy - Average fund size of \$250 million; buying companies between \$20-100mm in transaction value
  - Below market purchase prices – ~15-20% discount to PE and 40-50% discount to public markets across 108 companies so far
  - Focus on company building with minimal use of leverage
  - Materially lower than fees than average private equity funds
  - Exchange rate continues to benefit both Funds

# Overview US Select Fund I

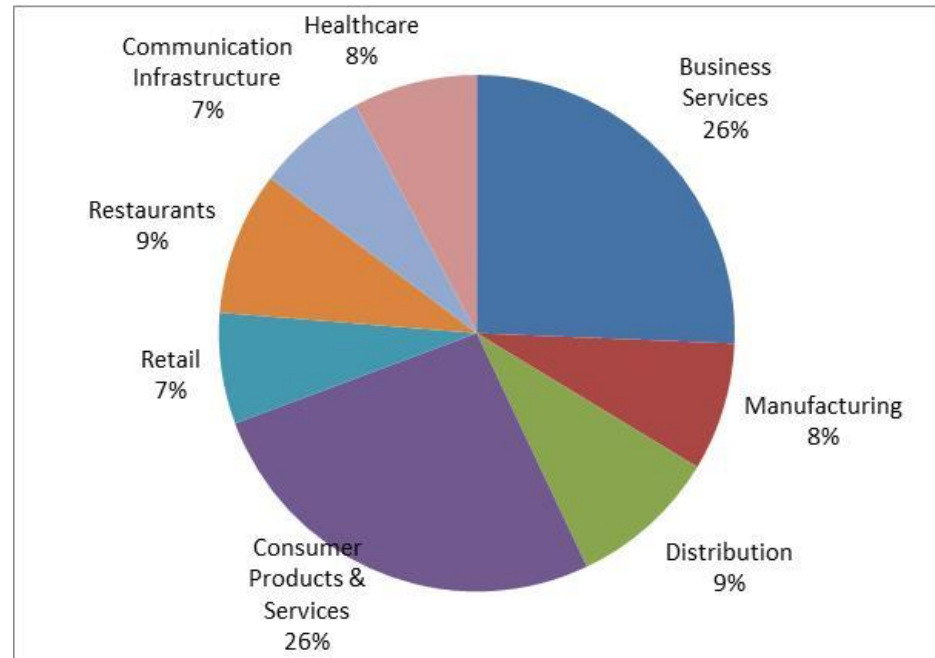
## Fund Commitments



DFW CAPITAL PARTNERS

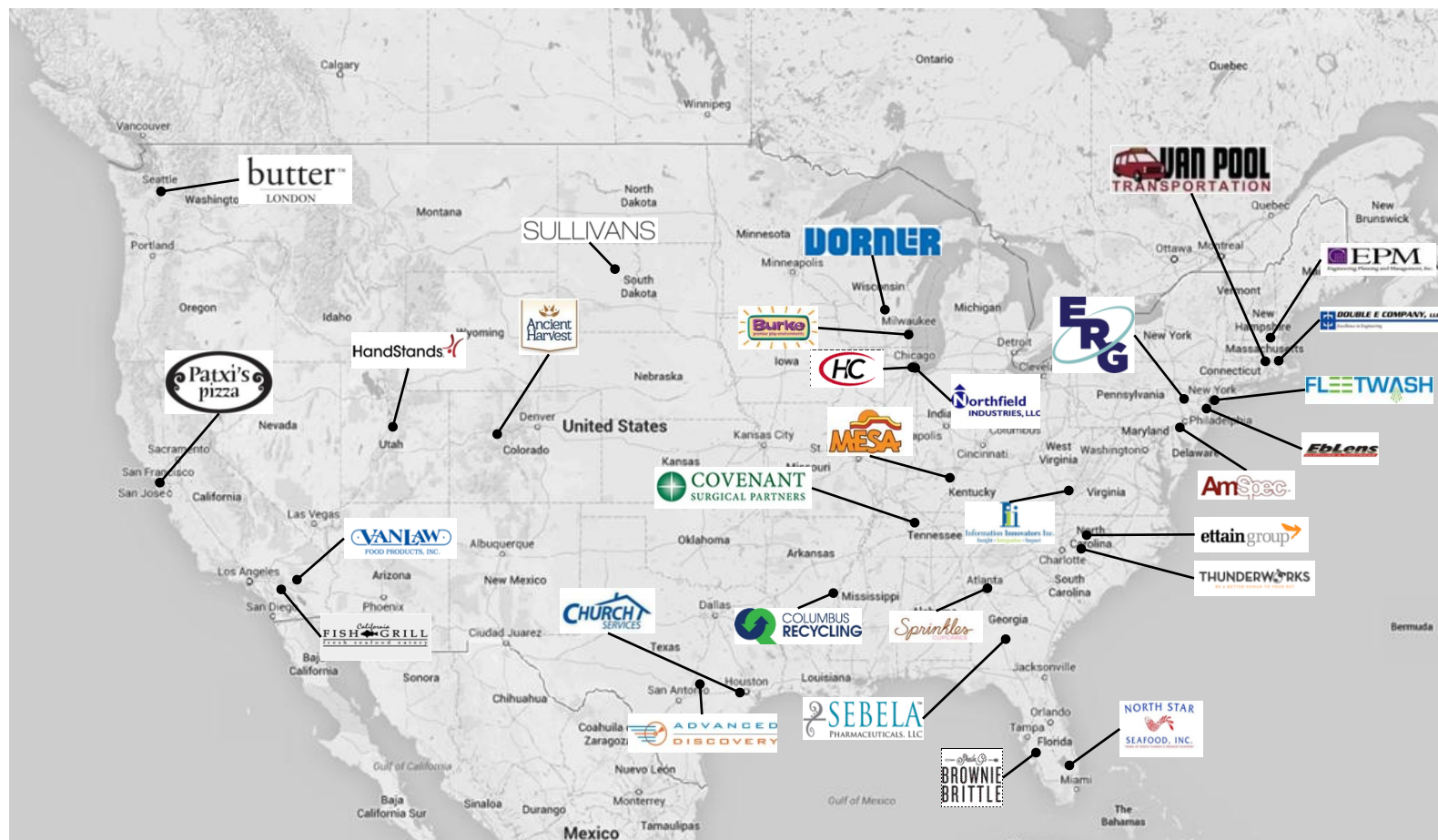


## Industry Exposure<sup>1</sup>



- US Select Fund I has \$69,569,500 of total commitments (\$10 million from Cordish Family)
- Portfolio includes 9 underlying fund managers with 58 companies (as of April 30, 2015)
- During 2014, our managers made 31 investments at an average purchase price of 7.2x EBITDA<sup>2</sup>

# Portfolio companies | USF



Note: Portfolio company outlined only where disclosed publicly by the underlying fund manager

# US Select I –Performance update

As of December 31, 2014 - US\$M

Fund	Commitment Date	Capital Committed	Cash Invested	% Invested	Total Value	% Gain/(Loss) <sup>1</sup>
DFW	Aug-13	\$5.0	\$2.3	44.8%	\$3.1	37.5%
Encore	Nov-12	10.0	4.4	43.7%	4.9	11.6%
Fort Point	Aug-13	4.0	1.8	44.3%	1.7	(7.0%)
Incline	Aug-13	10.0	3.5	33.8%	3.5	0.8%
KarpReilly	Oct-12	10.0	4.9	48.8%	4.2	(13.0%)
Peppertree	Dec-13	3.0	0.9	29.0%	0.9	2.0%
Prometheus	May-12	4.8	4.3	89.4%	3.6	(16.4%)
Trivest	Aug-12	10.0	2.8	27.6%	3.2	16.9%
US Direct	Apr-13	13.0	4.4	34.0%	6.5	46.1%
<b>Total</b>		<b>\$69.8</b>	<b>\$29.2</b>	<b>41.5%</b>	<b>\$31.6</b>	<b>8.4%</b>

- 51.9% of total capital commitments had been called by the underlying managers as of April 30th
- The average age of an investment is only 1.1 years and approximately 40% of the portfolio is still held at cost due to conservative valuation policies
- The average portfolio company 2014 revenue and EBITDA growth was 16.9% and 13.7%, respectively<sup>1</sup>
- We are optimistic that we will see increased valuations across the portfolio over the next few quarters

1) Based only on invested capital

2) Excludes Sebela which is part of DFW and US Direct's portfolio

# Overview US Select Fund II

## Fund Commitments



TOWER ARCH  
CAPITAL



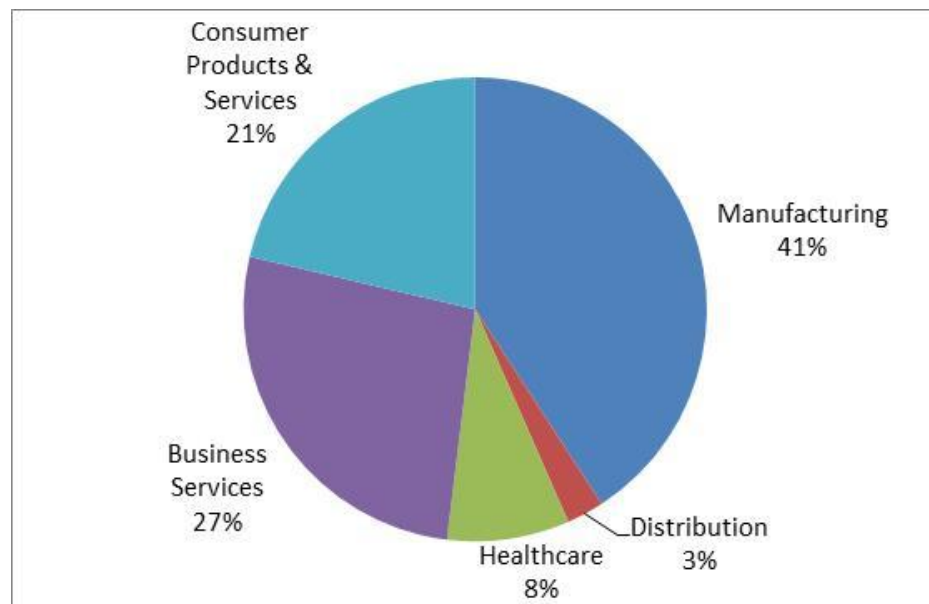
 **Tengram** Capital Partners



TRIVE CAPITAL



## Industry Exposure<sup>1</sup>

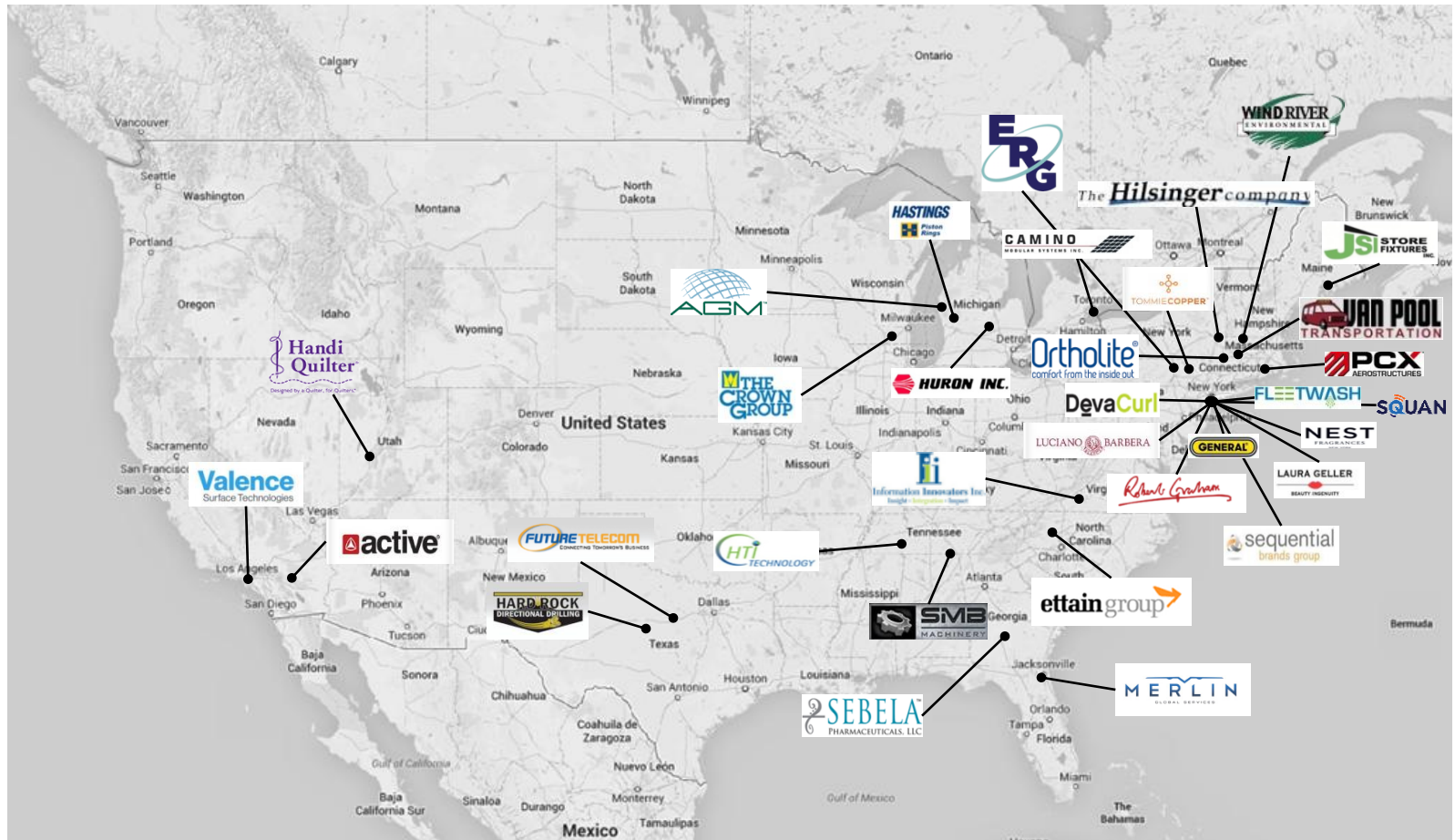


- US Select Fund I has \$95,095,000 of total commitments (\$12 million from Cordish Family)
- Portfolio includes 12 underlying fund managers with 50 companies
- During 2014, our managers purchased 24 companies at an average purchase price of 6.3x EBITDA

1) Dollar weighted based on investment cost basis, not FMV



# Portfolio companies | USG



Note: Portfolio company outlined only where disclosed publicly by the underlying fund manager



# US Select II –Performance update

As of December 31, 2014 - US\$M

Fund	Commitment Date	Capital Committed	Cash Invested	% Invested	Total Value	% Gain/(Loss) <sup>1</sup>
Blue Point	Jul-14	\$5.0	\$1.2	23.1%	\$1.2	6.0%
CPF	Sep-14	7.5	0.3	3.9%	0.2	NM
DFW	Dec-13	5.0	2.3	44.8%	3.1	37.0%
High Road	Sep-13	7.5	1.5	19.3%	1.5	2.3%
NMS	Mar-14	6.5	1.0	15.7%	1.0	(4.7%)
RFE	Mar-13	8.0	4.3	53.2%	4.3	(0.3%)
Tengram	Apr-13	10.0	6.8	66.5%	9.8	45.4%
Tower Arch	May-14	8.0	0.5	6.4%	0.4	NM
Trive	Jun-13	10.0	3.4	34.5%	4.3	25.8%
US Direct	Apr-13	15.0	5.1	34.0%	7.5	46.1%
<b>Subtotal</b>		<b>\$82.5</b>	<b>\$26.4</b>	<b>31.7%</b>	<b>\$33.3</b>	<b>26.4%</b>
Main Post	Mar-15	7.5	0.0	0.0%	0.0	NA
Staple Street	Dec-14	8.0	0.0	0.0%	0.0	NA
<b>Total</b>		<b>\$98.0</b>	<b>\$26.4</b>	<b>26.7%</b>	<b>\$33.3</b>	<b>26.4%</b>

- 31.3% of total capital commitments had been called by the underlying managers as of April 30th
- The average age of an investment is only 1.2 years and approximately 40% of the portfolio is held at cost
- The average portfolio company 2014 revenue and EBITDA growth was 21.9% and 18.3%, respectively<sup>2</sup>
- We are optimistic that we will see increased valuations across the portfolio over the next few quarters

1) Based only on invested capital

2) Excludes Sebela which is part of DFW and US Direct's portfolio

# Case study – **La COLOMBE**

COFFEE ROASTERS

## Company and Transaction Overview

- Leading “3<sup>rd</sup> wave” coffee roaster, distributor and retailer, promoting ethical long-term trade with coffee growers and supporting fair trade organizations around the world
- Company sources coffee from all over the world and sells to third party retailers (hotels, restaurants, and cafes) and for its use in its own retail cafes
  - Prior to closing, the Company had 8 retail cafes in Philly, NY, Chicago, and DC
- In August '14, US Direct partnered with Goode Partners to acquire 55% of the Company for \$28.3 million. Founders retain 45% and remain with business.
  - Proceeds used to provide partial liquidity to founders and fund growth initiatives
- Strong liquidity preference provides downside protection



# Case study –

## Investment Thesis and Outcome

- Opportunity to partner with an experienced retail sponsor (Goode) and a talented management team to build company into the next great coffee business in the US
- Strong wholesale business delivers stable and predictable revenues and cash flows and illustrates strength of the brand
- Exceptional retail unit economics

## Since closing the transaction

- Hired General Manager (former COO of American Eagle), added controller, IT Manager, HR Coordinator, Marketing Manager, Real Estate team, et al.
- Upgraded financial systems and back office infrastructure
- Opened 3 new retail units with 10 more in pipeline for 2015
- Continued strong growth in wholesale and e-commerce
- Signed key licensing deals
- Successfully exited our position



**Questions?**

