

US SELECT PRIVATE OPPORTUNITIES FUND (FUND) QUARTERLY UPDATE FOR PERIOD ENDING 30 SEPTEMBER 2016

ASX: USF

Private investment market commentary

Across the quarter, signals on the US economy remained broadly positive. Household income increased, and on some key measures consumer confidence has returned to pre-crisis highs. Labour market conditions also continued to improve with monthly non-farm payrolls increasing by approximately 271,000 in July and 252,000 in August, beating the consensus forecast of 180,000 for both periods. There is evidence of some mid-late cycle economic dynamics beginning to emerge, including the US Federal Reserve clearly signalling intentions to commence further monetary tightening. However, the US economy still has the capacity to generate further growth over the coming years.

Preqin reported global private equity fundraising slowed in 3Q16 reaching US\$62 billion at last count, although the final number is expected to be some 10-15% higher. This compares with US\$111 billion raised in 2Q16. This trend is consistent with the fundraising cycle experienced over the prior five years, where the second and the fourth quarters have seen the highest quarterly amount raised. North American private equity fundraising decreased from US\$60 billion in 2Q16 to US\$36 billion in 3Q16. The aggregate value of private equity backed buyout deals in North America was up from US\$57 billion in 2Q16 to US\$60 billion in 3Q16, while North American private equity backed exits' total value decreased from US\$52 billion to US\$46 billion¹.

During the third quarter, the Australian dollar (AUD) traded between 74.51 and 77.03, ending the quarter at 76.64 against the United States Dollar (USD).

Fund activity and portfolio

FUND UPDATE²

The estimated unaudited net tangible asset value before withholding tax on unpaid distributions at 30 September 2016 was \$2.06 per unit (30 June 2016 was \$2.03 per unit).

US Select Private Opportunities Fund, L.P. (LP), is committed across nine 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 2016, US\$57.5 million (or 82.7% of total funds committed to the LP), had been called by the LP. The Fund's proportionate share of this is approximately US\$49.2 million (an 85.5% share).

During the quarter, the LP received nine drawdown requests for a total consideration of \$2.8 million.

Notes:

1. Source: Preqin 3Q16 statistics on global and North American Fundraising, buyouts and exits.

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

SUMMARY OF THE UNDERLYING FUNDS AT 30 SEPTEMBER 2016

UNDERLYING FUND	INDUSTRY FOCUS	LP COMMITMENT TO UNDERLYING FUNDS (US\$ MILLION) ¹	NET CAPITAL DRAWDOWN (US\$ MILLION)
DFW Capital Partners IV, L.P.	Health care, business services and industrial services	\$5.0	\$3.8
Encore Consumer Capital Fund II, L.P.	Non-discretionary consumer products	\$10.0	\$9.3
FPC Small Cap Fund I, L.P.	Lower-middle market, service-oriented companies	\$4.0	\$2.7
Incline Equity Partners III, L.P.	Manufacturing, value-added distribution and business services	\$10.0	\$7.0
KarpReilly Capital Partners II, L.P.	Apparel & branded consumer products, retail, restaurants	\$10.0	\$8.5
Peppertree Capital Fund IV, L.P.	Telecommunication infrastructure companies	\$3.0	\$2.7
Prometheus Partners IV, L.P.	Quick service restaurants	\$4.8 ²	\$4.3 ²
Trivest Fund V, L.P.	Manufacturing, distribution, business services, consumer	\$10.0	\$4.4
U.S. Select Direct Private Equity (US), L.P.	Invests in a direct portfolio of select private companies alongside leading, specialist private investment funds	\$13.0	\$9.9
		\$69.8	\$52.7

Notes:

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. Numbers may not add due to rounding.

2. The LP received a final distribution from Prometheus Partners on 30 June 2016 and has no remaining capital with this Fund.

UNDERLYING FUND ACTIVITY

DFW Capital Partners IV, L.P. No material investment activity during quarter.

Encore Consumer Capital Fund II, L.P. Encore made additional investments in Full Sail Brewing, Quinoa Corp and Caterina Foods.

FPC Small Cap Fund I, L.P. No material investment activity during quarter.

Incline Equity Partners III, L.P. Incline sold Amspec and distributed \$3,591,868 to the LP.

Incline distributed \$494,469 to the LP from their investment in BCI Burke.

Incline acquired Ned Stevens, a leading provider of all essential gutter cleaning, maintenance and installation services for homeowners. The Company provides services in 11 states in the US. (www.nedstevens.com)

Incline acquired Premium Franchise Brands, a leading franchisor of light commercial and residential cleaning services through its Jan-Pro and Maid Right franchise brands. The company has more than 150 master franchisees, 8,000 unit franchisees and over 50,000 end customers across the world. (www.premiumfranchisebrands.com)

KarpReilly Capital Partners II, L.P. No material investment activity during quarter.

Peppertree Capital Fund IV, L.P. No material investment activity during quarter.

Trivest Fund V, L.P. Trivest sold Handstands and distributed \$1,882,836 to the LP.

Trivest invested in IDMWorks, a top identity and access management (IAM) consultancy with over 600 successful IAM engagements. IDMWorks deploys, services and supports identity and access management solutions to protect data for organisations. (www.idmworks.com)

U.S. Select Direct Private Equity (US), L.P. US Select Direct sold its investment in Van Pool and distributed \$1,600,179 to the LP.

US Select Direct made an additional investment in CPF Senior Living.

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 invests 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 multi-manager 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 US Select Private Opportunities Fund Series represent unique vehicles for Australian retail investors to access attractive small, nimble US private investment funds that have historically outperformed their larger counterparts.

The underlying fund managers 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 only utilise leverage judiciously.

Disclaimer

This Quarterly Update (Update) has been prepared by US Select Private Opportunities Fund GP, LLC as Investment Manager of US Select Private Opportunities Fund (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 Investment Manager 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.