

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

ASX: USF

Private investment market commentary

Concerns over the result of the upcoming US presidential election and the UK's recent decision to exit the European Union contributed to uncertainty in the global markets over the quarter. However in the US, signs of economic strength continue. During the second quarter, Q1 2016 GDP figures were released showing an improvement in annual GDP of 2.1% year-on-year (yoy) up from 2.0% (yoy) reported in the preceding quarter and June non-farm payrolls rose 287,000, exceeding the market consensus expectation of 180,000.

After a relatively subdued beginning to the year, global activity in private equity-backed buyouts and exits during Q2 2016 increased dramatically. Buyout transaction volume increased 76.5% quarter-on-quarter (qoq) to US\$88.5bn and exits increased 33.2% qoq to US\$90.1bn. North America accounted for US\$57bn of the total global buyout deal values¹. It was also a strong quarter for private equity fundraising, with US\$100.9bn being raised¹. This is only the fourth quarter since Q4 2008 when fundraising has surpassed US\$100bn¹. Importantly, most of this capital was committed to large private equity funds pursuing buyouts of mid-to-large capitalisation companies. The Fund remains in a relatively unique position given its focus upon smaller, and we believe less efficient, niche segments of US private equity markets.

During the quarter, the Australian dollar (AUD) traded between 71.82 and 78.13, ending the quarter at 74.51 against the USD.

Fund activity and portfolio

FUND UPDATE

The estimated unaudited net tangible asset value before withholding tax on unpaid distributions at 30 June 2016 was \$2.03* per unit (31 March 2016 was \$2.07* per unit). This 30 June 2016 unaudited net tangible asset value excludes the \$0.11 per unit distribution announced on 23 June 2016, which is expected to be paid on or around 1 August 2016.

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 June 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 six drawdown requests for a total net consideration of \$2.5 million.

The Fund announced its second distribution of 11 cents per unit on 23 June 2016 following its maiden distribution announced on 12 February 2016. The second distribution is a result of the successful sale of a majority stake in U.S. Select Direct Private Equity (US), L.P.'s underlying investment in Sebela Pharmaceuticals.

¹ Source: Preqin

* 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 JUNE 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	\$9.1
FPC Small Cap Fund I, L.P.	Lower-middle market, service-oriented companies	\$4.0	\$2.6
Incline Equity Partners III, L.P.	Manufacturing, value-added distribution and business services	\$10.0	\$4.9
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	\$4.3
Trivest Fund V, L.P.	Manufacturing, distribution, business services, consumer	\$10.0	\$4.1
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	\$9.8
		\$69.8	\$49.9

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. Numbers may not add due to rounding.

UNDERLYING FUND ACTIVITY

DFW Capital Partners DFW Capital Partners made an additional investment in Sebela Pharmaceuticals.

Encore Consumer Capital Encore sold Mesa Foods and distributed \$2,184,752 to the LP.

Fort Point Capital Fort Point Capital acquired WolfePak Software, a leading provider of financial, accounting and regulatory compliance software to the oil and gas industry. WolfePak serves well operators, first purchasers, investors and service providers in 41 states and 9 countries. (www.wolfepak.com)

Fort Point Capital also made an additional investment in Van Pool Transportation.

Incline Equity Partners No material investment activity during quarter.

KarpReilly Capital Partners No material investment activity during quarter.

Peppertree Capital Peppertree called an additional 16% of total capital committed to fund tower developments and acquisitions by existing portfolio companies.

Prometheus Partners Prometheus Partners was wound down and liquidated on 30 June 2016 and made a final distribution of \$76,395 to the LP.

Trivest No material investment activity during quarter.

US Select Direct Private Equity US Select Direct invested in Homepolish, an online marketplace connecting top-quality interior designers to consumers and businesses in search of design services. (www.homepolish.com)

US Select Direct sold 80% of its investment in Sebela Pharmaceuticals and distributed \$3,339,504 to the LP.

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.