

24 February 2023

CD Private Equity Fund II (CD2.ASX) (Fund) Response to Media Speculation

E&P Investments Limited, in its capacity as responsible entity (**Responsible Entity**) of CD Private Equity Fund I, CD Private Equity Fund II, CD Private Equity Fund III and CD Private Equity Fund IV (together, the **Fund Series**), notes the recent press speculation regarding an approach made by Pengana Capital Group (**Pengana**).

The Responsible Entity regularly evaluates various strategic options to maximise value creation for the Fund Series' unitholders. The Responsible Entity confirms that Pengana made a confidential, indicative, non-binding and incomplete proposal in relation to a proposed transaction with the Fund Series. The Responsible Entity engaged in discussions with Pengana, which resulted in a revised proposal (the **Proposal**) which is summarised below.

Key terms of the proposal for CD2 include:

- Scheme of arrangement requiring 75% approval of CD2 unitholders voting.
- 85% of the proposed value to be paid for CD2 units would be by way of issue of units in Pengana Private Equity Trust (**PE1**), which could be traded immediately.
- 10% of the proposed value in contingent units of PE1, which would become tradeable after 12 months unless the investor sells their other PE1 units, in which case the contingent units would be forfeited.
- 5% of the proposed value in contingent units of PE1, which would become tradeable after 18 months unless the investor sells their other PE1 units, in which case the contingent units would be forfeited.
- Based on the structure above and assuming the PE1 price remains at the current price of \$1.68 per PE1 unit (closing price as at 23 February 2023) following implementation of the Proposal, the Proposal represents a premium of 17% if PE1 units were sold in the first 12 months, 31% if PE1 units were sold between 12 and 18 months and 38% if sold after 18 months (in all cases, the premium is assessed with reference to the closing price of CD2 units as at 23 February 2023).
- The pro forma NAV attributable to each unitholder of CD2 would be reduced by a minimum of 12% from current NAV (assuming all contingent units were converted and sold after 18 months and assuming net asset value remains stable in both PE1 and CD2 at current levels).

Key reasons for the Responsible Entity forming a view that the Proposal is not compelling:

- **The split of value is too much in favour of PE1 and not sufficient for CD2 unitholders.** CD2 unitholders receive a minimum 12% dilution to NAV if they hold their PE1 units for 18 months post transaction completion, while PE1 unitholders will receive a minimum 15.5% NAV uplift. The Responsible Entity therefore thinks the Proposal significantly undervalues CD2 units.
- **For unitholders seeking near-term liquidity, the structure of the Proposal does not offer a sufficient premium.** For any unitholder who is currently seeking liquidity and



sells their PE1 securities in the 12 months following transaction completion, the Proposal only represents a premium of 17%.

- **Long term exposure to PE1 trading price which may fall.** The trading price uplift assumes CD2 unitholders hold their PE1 holdings for at least 18 months and the PE1 price may fall during that time, reducing the premium available to CD2 unitholders.
- **The Proposal represents a significant change in the nature of investment to CD2 unitholders.** While CD2 currently returns capital to unitholders as underlying funds are realised (20.6% of NAV in the last 12 months), PE1 pays a 4% yield on NAV, with excess funds reinvested in new investments.
- **There is no cash alternative available to unitholders.** The Proposal does not offer CD2 unitholders who would like liquidity the option to choose cash for some or all of their investment.

Therefore, on the basis that the Responsible Entity does not believe the Proposal is in the best interests of investors, the Responsible Entity has not provided access to due diligence. The Responsible Entity remains open to engaging further with Pengana, or other parties, on more favourable terms.

Authorised for release by E&P Investments Limited (ACN 152 367 649, AFSL 410 433), the responsible entity of CD Private Equity Fund II.