Private investment market commentary

2Q 2015 saw continued improvement in the US economy, with real GDP growth increasing moderately after being down in 1Q 2015. Consensus estimates now point towards a growth rate of 2.7%, largely related to warmer weather, the reopening of West Coast ports and a rebound in oil prices. Despite a small downward revision to the forecast for household spending, labour market conditions were positive, while consumer confidence and economic conditions also continued to improve. The Fed reiterated the current cash rate range of 0% to 0.25% will remain the same until labour markets and inflation figures provide sufficient evidence to support a change.

The US private investment market had a strong first half of 2015. Interestingly, investment consultants that were interviewed for Preqin’s study indicated that they are most positive about the private investment asset class, with 46% recommending that their clients invest more capital in 2015 (vs. 2014).

The Australian dollar continued to depreciate against the US dollar, falling to 77.07 cents at 30 June 2015 (or 5.7% below the 31 December 2014 price of 81.75 cents).

Fund activity and portfolio

FUND UPDATE

The estimated unaudited net tangible asset value before withholding tax on unpaid distributions at 30 June 2015 was $2.06* per unit (31 March 2015 was $2.02* per unit).

Through US Select Private Opportunities Fund, L.P. (LP), the Fund 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 2015, US$47.5 million (or 68.3% of total funds committed to the LP) had been called. The Fund’s proportionate share of this is approximately US$40.6 million (an 85.5% share).

During the quarter, the LP received 17 drawdown requests for a total consideration of US$7.6 million. At 30 June 2015, net drawdown requests from underlying investments were approximately US$39.4 million (or 56.6% of total commitments).

# SUMMARY OF THE UNDERLYING FUNDS AT 30 JUNE 2015

<table>
<thead>
<tr>
<th>UNDERLYING FUND</th>
<th>INDUSTRY FOCUS</th>
<th>LP COMMITMENT (US$ MILLION)</th>
<th>NET LP CAPITAL DRAWDOWN (US$ MILLION)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DFW Capital Partners IV, L.P.</td>
<td>Health care, business services and industrial services</td>
<td>$5.0</td>
<td>$2.6</td>
</tr>
<tr>
<td>Encore Consumer Capital Fund II, L.P.</td>
<td>Non-disccretionary consumer products</td>
<td>$10.0</td>
<td>$8.5</td>
</tr>
<tr>
<td>FPC Small Cap Fund I, L.P.</td>
<td>Lower-middle market, service-oriented companies</td>
<td>$4.0</td>
<td>$1.8</td>
</tr>
<tr>
<td>Incline Equity Partners III, L.P.</td>
<td>Manufacturing, value-added distribution and business services</td>
<td>$10.0</td>
<td>$4.3</td>
</tr>
<tr>
<td>KarpReilly Capital Partners II, L.P.</td>
<td>Apparel &amp; branded consumer products, retail, restaurants</td>
<td>$10.0</td>
<td>$9.0</td>
</tr>
<tr>
<td>Peppertree Capital Fund IV, L.P.</td>
<td>Telecommunication infrastructure companies</td>
<td>$3.0</td>
<td>$1.6</td>
</tr>
<tr>
<td>Prometheus Partners IV, L.P.</td>
<td>Quick service restaurants</td>
<td>$4.8</td>
<td>$3.1</td>
</tr>
<tr>
<td>Trivest Fund V, L.P.</td>
<td>Manufacturing, distribution, business services, consumer</td>
<td>$10.0</td>
<td>$3.5</td>
</tr>
<tr>
<td>U.S. Select Direct Private Equity (US), LP</td>
<td>Invests in a direct portfolio of select private companies alongside leading, specialist private investment funds</td>
<td>$13.0</td>
<td>$4.9</td>
</tr>
</tbody>
</table>

**TOTAL**                                                                                      $69.8                        $39.4

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 up due to rounding.

## Underlying fund activity

**DFW Capital Partners IV, L.P. (DFW)** During the quarter, DFW completed add-on acquisitions for its portfolio companies Evolution Research Group and Information Innovators Inc.

**Encore Consumer Capital Fund II, L.P. (Encore)** In April, Encore completed an investment in Navitas, LLC, a Novato, California-based processor and marketer of branded, sustainably sourced, organic, superfood ingredients. ([www.navitasnaturals.com](http://www.navitasnaturals.com))

In June, Encore completed an investment in Fantasy Cookie. Based in Sylmar, California the Company is a leading private label and contract manufacturer of premium, innovative cookie products. ([www.fantasycookie.com](http://www.fantasycookie.com))

**KarpReilly Capital Partners II, L.P. (KarpReilly)** During the quarter, KarpReilly made additional investments in existing portfolio companies Sprinkles Cupcakes, Patxi’s Pizza and Eureka.

**Peppertree Capital Fund IV, L.P. (Peppertree)** Peppertree called an additional 25% of total capital to fund tower developments and acquisitions at its existing portfolio companies.

**Trivest Fund V, L.P. (Trivest)** In June, Trivest called capital for its investment in Getix-Health. The Company is a rapidly growing provider of specialised outsourced revenue cycle management solutions to hospitals, laboratories and physician groups across the United States and the Caribbean. Since closing, Trivest has completed three additional add-on acquisitions for Getix-Health. ([www.getixhealth.com](http://www.getixhealth.com))

In May, Trivest closed on its acquisition of DVDXpress, a rapidly growing automated movie rental kiosk business serving primarily the supermarket channel. ([www.mydvdxpress.net](http://www.mydvdxpress.net))

**U.S. Select Direct Private Equity (US), LP (US Direct)** In April, US Direct sold its interest in La Colombe to a strategic buyer. The sale generated over US$2 million in gross proceeds, or 2.0x its invested cost basis and a 170% IRR.
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 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 employ moderate and judicious amounts of leverage.