Private investment market commentary

Despite a particularly volatile start to the year for the US share market, as a whole, the US private equity industry continues to produce strong gains and investor satisfaction is now at an all-time high according to Preqin.

Analysis of US public pension Funds’ returns in 2015 highlights that private equity continues to deliver superior returns compared with all other asset classes over the long-term. The US Private Equity Index\(^1\) was up 6.2% and 14.3% for the 1 and 3 year periods ending September 30, 2015 compared to the S&P 500 index at -0.6% and 12.4%, respectively. For 2015, distributions across the industry outpaced capital calls for the fifth year in a row.

With strong recent gains, 94% of institutional investors surveyed by Preqin in December, felt their private equity portfolios had met or exceeded their expectations, with just 6% of respondents feeling that returns had fallen short. Moreover, 88% of those surveyed expect to commit the same amount of capital, or more, in 2016 compared to last year and the majority said they are increasing their long-term allocation percentages to the asset class. Most of this additional capital is expected to flow to the larger end of the private equity market not to smaller funds and opportunities – US Select remains in a relatively unique position given its focus. We believe the outlook for private equity in 2016 is bright and our portfolio’s positive momentum will continue.

The US recovery also continues with GDP increasing 2.4% in 2015, the same rate as in 2014. Encouragingly US companies continue to hire workers at a healthy rate (non-farm payrolls increased 215k in March) and consumer spending has been relatively strong.

During the March quarter, the Australian Dollar (AUD) traded between 68.64 cents and 76.71 cents, ending the quarter at 76.57 cents against the US Dollar (USD) - driven by a more dovish outlook for US interest rates and a rally in commodity prices.

Fund activity and portfolio

**FUND UPDATE**

The estimated unaudited net tangible asset value before withholding tax on unpaid distributions at 31 March 2016 was $2.07* per unit (31 December 2015 was $2.25* per unit).

While the portfolio continues to perform strongly, the relatively large appreciation in the AUD versus the USD over the period provided a headwind to net tangible asset value when expressed in AUD.

US Select Private Opportunities Fund, L.P. (LP), is committed to nine private investment funds for a total consideration of US$69.8 million, all focused on small-to-mid-market private investment opportunities.

At 31 March 2016, US$52.5 million (or 75.5% of total funds committed to the LP) had been called. The Fund’s proportionate share of this is approximately US$44.9 million (an 85.5% share).

During the quarter, the LP received ten drawdown requests and three capital returns for a total net consideration of $2.2 million.

On 12 February 2016, the Fund announced its maiden distribution of 10 cents per unit. The distribution primarily reflected proceeds from successful sales of portfolio investments of underlying private equity managers.

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i. Cambridge Associates LLC US Private Equity Index.
**SUMMARY OF THE UNDERLYING FUNDS AT 31 MARCH 2016**

<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>$3.6</td>
</tr>
<tr>
<td>Encore Consumer Capital Fund II, L.P.</td>
<td>Non-discretionary consumer products</td>
<td>$10.0</td>
<td>$9.1</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>$2.0</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>$4.9</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>$8.4</td>
</tr>
<tr>
<td>Peppertree Capital Fund IV, L.P.</td>
<td>Telecommunication infrastructure companies</td>
<td>$3.0</td>
<td>$2.2</td>
</tr>
<tr>
<td>Prometheus Partners IV, L.P.</td>
<td>Quick service restaurants</td>
<td>$4.8</td>
<td>$4.3</td>
</tr>
<tr>
<td>Trivest Fund V, L.P.</td>
<td>Manufacturing, distribution, business services, consumer</td>
<td>$10.0</td>
<td>$3.4</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>$8.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>$69.8</strong></td>
<td><strong>$46.6</strong></td>
</tr>
</tbody>
</table>

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 during the quarter**

**DFW Capital Partners** DFW acquired Superior Controls, the Northeast’s leading provider of mission-critical systems integration and automation services primarily to the fast-growing biotechnology industry. Superior Controls provides value-added engineering services that allow customers to configure, operate and maintain highly automated, technically advanced manufacturing lines with extremely tight tolerances and exacting operating parameters. ([http://www.superiorcontrols.com/](http://www.superiorcontrols.com/))

Last quarter, we announced DFW acquired a multi-discipline pediatric therapy company providing physical, occupational, and speech/language therapy to children but did not disclose the name. The Company is West Chester, Pennsylvania based Theraplay. ([http://theraplayinc.com/](http://theraplayinc.com/))

**Encore Consumer Capital** Encore made additional investments in Caterina Foods and Quinoa Corp.

**Fort Point Capital** Fort Point Capital made an additional investment in Church Services.

**Incline Equity Partners** No material investment activity.

**KarpReilly Capital Partners** No material investment activity.

**Peppertree Capital** Peppertree called an additional 4% of total capital to fund tower developments and acquisitions at its existing portfolio companies.

**Prometheus Partners** No material investment activity.

**Trivest** Trivest sold NorthStar seafood and distributed $764,000 to the LP.

**US Select Direct Private Equity** US Select Direct Private Equity made an investment into Cyara Solutions Corp., a provider of the market-leading omni-channel discovery, testing and monitoring platform which helps enterprises accelerate the delivery of flawless customer experience at scale. ([http://cyara.com/](http://cyara.com/))

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US Select Direct Private Equity made an investment into J. America, a leading designer and distributor of decorated and blank apparel and headwear to major retail and wholesale accounts across the United States. (http://www.jamericasportswear.com/)

US Select Direct Private Equity made an investment into EagleRider, the leading global motorcycle experience company specializing in Harley-Davidson, Indian, BMW, Honda and Triumph motorcycle tours, rentals, sales and service. (http://www.eaglerider.com/)

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.

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.

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