



**CORDISH
DIXON**
PRIVATE EQUITY FUND III

Half-Year Financial Report

FOR THE HALF-YEAR ENDED
30 SEPTEMBER 2018

ARSN 612 132 813

RESPONSIBLE ENTITY

WALSH & COMPANY

INVESTMENTS LIMITED

Walsh & Company
Investments Limited
(ACN 152 367 649) (AFSL 410 433)

Cordish Dixon Private Equity Fund III

Contents

30 September 2018

Report to unitholders	2
Directors' report	5
Auditor's independence declaration	7
Condensed statement of profit or loss and other comprehensive income	8
Condensed statement of financial position	9
Condensed statement of changes in equity	10
Condensed statement of cash flows	11
Notes to the condensed financial statements	12
Directors' declaration	18
Independent auditor's review report to the unitholders of Cordish Dixon Private Equity Fund III	19
Directory	21

Cordish Dixon Private Equity Fund III
Report to unitholders
30 September 2018

Dear Unitholders,

We are very pleased to provide you with this report on the performance of the Cordish Dixon Private Equity Fund III (**Fund**) for the six-month period ended 30 September 2018 (**H1 FY19**).

The Fund performed well this year, posting a net profit of \$7.8 million or 10.86 cents per Unit in H1 FY19, compared with a net loss of \$1.1 million or 2.22 cents per Unit for the corresponding period last year. The key component of this result was a \$4.2 million fair value movement gain on the Fund's investment in the LP. As an investment entity, the Fund must recognise changes in the LP's value. At 30 September 2018, the Fund had net assets of \$115.6 million representing \$1.60 per Unit.

The Fund's investment objectives are to provide Unitholders with exposure to a portfolio of investments in small and mid-market private investment funds and privately held companies, predominantly focused in the United States (**US**), and capital growth over a five to ten-year investment horizon. Through the Fund's investment vehicle, US Select Private Opportunities Fund III, L.P. (**LP**), the Fund is committed across 13 highly attractive US private investment funds all focused on small-to-mid-market private investment opportunities, for a total consideration of US\$115 million. The 13 funds are currently still in the investment stage with an aggregate investment in 67 underlying companies.

At 30 September 2018, US\$58.5 million (or 51.3% of total funds committed) to the LP had been called. The Fund's proportionate share of this is approximately US\$41.7 million (a 71.2% share).

During the period, the LP received 23 drawdown requests and 5 capital returns for a total net consideration of US\$8.6 million. At 30 September 2018, net drawdown requests from underlying investments were approximately US\$48.5 million (or 42.2% of total commitments).

Underlying portfolio update

Bertram Growth Capital III, L.P. (Bertram) invested in Registrar Corp. Registrar Corp is a leading Software-as-a-Service (**SaaS**) assisted provider of US Food and Drug Administration compliance services to domestic and foreign food, medical device, drugs, and cosmetic facilities. Since opening its headquarters in Hampton, Virginia in 2003, Registrar has expanded to eighteen international offices and assisted more than 30,000 companies across 160 countries.

DFW Capital Partners V, L.P. (DFW) invested in Resource Pro Holdings LLC (**Resource Pro**). Resource Pro was founded in 2004, and is the leading global services company providing bundled outsourced Business Process Management, applied analytics, and technology driven productivity solutions to insurance agencies, managing general agents, and select regional and specialty insurance carriers in the US, Canada, and the UK. The Company is headquartered in New York City with the majority of employees located in global service delivery centres across China.

DFW also invested in Restoration and Recovery Holdings, Inc. (**R&R**). R&R is a leading national provider of post-construction stormwater management services to client facilities in the United States and Puerto Rico. R&R's business is focused on inspection, maintenance, and repair of critical stormwater systems, enabling its customers to maintain compliance with federal, state, and municipal environmental regulations.

DFW also invested additional capital in Envocore.

Elephant Partners I, L.P. (Elephant) had no material investment activity in the half year.

Encore Consumer Capital Fund III, L.P. (Encore) invested in Tender Belly, LLC (**Tender Belly**). Tender Belly is a Denver, Colorado-based brand of premium pork products sold through foodservice, retail, and online channels.

Gemspring Capital Fund I, L.P. (Gemspring) invested in A10 Capital, LLC (**A10**). A10 is a leading provider of middle-market commercial real estate loans in the United States. With loans ranging from \$1 million to \$30 million for commercial properties, A10's broad offering of transitional and permanent loans products covers the entire commercial property lifecycle.

Cordish Dixon Private Equity Fund III

Report to unitholders

30 September 2018

Gemspring also invested in TMP Worldwide (**TMP**). TMP is the recognised global leader in talent acquisition technologies and offers clients a full suite of industry-leading solutions for needs across every end market and candidate profile. Through its TalentBrew software platform, TMP powers candidate experiences for the world's largest employers and hundreds of millions of candidates annually.

Growth Street Partners I, L.P. (Growth Street) invested in Visual Lease. Visual Lease is a SaaS lease management and accounting solution. Sold to finance, accounting, and real estate departments of companies with greater than 20 leases. The Company has a large, diverse customer base and was founded in 1995 by an entrepreneur from the industry. Visual Lease is headquartered in Woodbridge, New Jersey.

Growth Street also invested in Hotel Effectiveness. Hotel Effectiveness is a SaaS labour management platform specifically developed for the hotel industry. Sold to hotel management companies and hotel property owners. The Company has a large customer base and was founded in 2007 by two entrepreneurs with extensive experience in the hotel operation industry. Hotel Effectiveness is based in Roswell, Georgia.

Incline Equity Partners IV, L.P. (Incline) had no material investment activity during the half year.

Luminate Capital Partners, L.P. (Luminate) distributed \$314,719 to the LP as a result of a recapitalisation of portfolio company Oversight. There was also a smaller distribution to the LP of \$12,492 following the recapitalisation of portfolio company Fintech.

Luminate invested additional capital in Comply 365 and Fintech.

NMS Fund III, L.P. (NMS) had no material investment activity in the half year.

PeakSpan Capital Fund I, L.P. (PeakSpan) invested in GroupBy, Inc. (**GroupBy**). GroupBy is a leading provider of data-driven e-commerce solutions to business to consumer (**B2C**) and business to business (**B2B**) retailers.

PeakSpan also invested in Cordial Experience, Inc. (**Cordial Experience**). Cordial Experience is a next-generation adaptive messaging platform that centralises disparate data from a wide range of sources to enable real-time, individualising messaging, rapid segmentation, A/B and multivariate testing and personalisation at scale and across a variety of channels and devices. The company's platform enables customer to consolidate multiple marketing competencies into a single platform.

Telescope Partners I, L.P. (Telescope) invested in TopBox. TopBox is an emerging provider of customer experience analytics to large enterprise clients. Founded by domain experts from the call centre industry, the Company has operations centres in Portland, Oregon, and Kansas City, Missouri.

Trive Capital Fund II, L.P. (Trive) distributed \$590,082 to the LP as a result of the recapitalisation of portfolio company Lucky Bucks.

Trive also distributed \$565,155 to the LP as a result of a recapitalisation of portfolio companies Redmond & Greer and Circle 8.

Trive invested in SSW Holding Company (**SSW**). SSW is an engineered product manufacturer for the large appliance, HVAC, and other industrial segments. SSW is based in Ft. Smith, Arkansas and serves its global appliance OEM customer base from 8 manufacturing facilities strategically located through the United States and Mexico.

Trive also invested additional capital in portfolio company Fansteel.

US Select Direct Private Equity II, LP (US Direct II) invested in:

- **Next Level:** Next Level is a designer and supplier of premium quality casual apparel within the fashion basics industry. The Company was founded in 2003 and is headquartered in Gardena, California. Its products are marketed under the Next Level brand and sold blank, mainly as promotional products rather than through

Cordish Dixon Private Equity Fund III
Report to unitholders
30 September 2018

the retail channel. Next Level serves a diverse and fragmented decorator end market and differentiates itself by creating innovative and attractive fabric blends to complement its core product offerings, such as its leading category of tops – consisting of tees, tanks, hoodies, and jackets.

- Rimini Street: Rimini Street is a leading provider of third-party software support services for enterprise resource products, including back office software such as database management, supply chain management, and financial management applications. Rimini primarily supports Oracle and SAP products.
- Integrated Energy Solutions (**IES**): IES is a technology enabled provider of demand response solutions to more than 160 commercial office buildings.
- Jet Linx: Based in Omaha, Nebraska, Jet Linx operates a private jet card membership program and the third largest managed fleet of private aircraft in the United States.
- SpinCar: Founded in 2011, SpinCar provides software products for digital retailing and merchandising and digital marketing services for traditional auto dealerships.
- Nosara GP, LLC (**Nosara**): Nosara is a London and New York based, newly formed early growth equity manager that is currently raising its inaugural fund.

I would like to thank Unitholders for their continued support as we look to further enhance Australian investors' exposure to small-to-mid-market US-based private investment firms.

Yours faithfully



Alex MacLachlan

Chairman of Walsh & Company Investments Limited

29 November 2018

Cordish Dixon Private Equity Fund III
Directors' report
30 September 2018

The directors of Walsh & Company Investments Limited, the Responsible Entity of the Cordish Dixon Private Equity Fund III (**Fund**), present their report together with the condensed financial statements of the Fund for the half-year ended 30 September 2018.

Directors

The directors of the Responsible Entity at any time during or since the end of the financial year are listed below:

- Alex MacLachlan
- Warwick Keneally
- Mike Adams (appointed 9 July 2018)
- Tristan O'Connell (resigned 9 July 2018)

Directors have been in office since the start of the half-year to the date of this report unless otherwise stated.

Principal activities and significant changes in nature of activities

The principal activity of the Fund during the half-year was investing in small-to-mid-market private investment funds and privately held companies with a predominate focus in the US. There were no significant changes in the nature of these activities.

Review and results of operations

The profit for the Fund after providing for income tax amounted to \$7,824,740 (30 September 2017: loss of \$1,131,724).

The key components of this result included a \$4,231,341 fair value movement gain (2017: \$499,588 loss) incurred on the Fund's investment in the LP and a \$3,816,752 foreign exchange movement gain (2017: \$184,309 loss) during the period. As at 30 September 2018, the Fund had net assets of \$115,562,486 (31 March 2018: \$107,737,746), representing \$1.60 per unit (31 March 2018: \$1.50 per unit).

The Fund has invested in a limited partnership, US Select Private Opportunities Fund III, L.P. (**LP**) which, in turn, invests in small-to-medium-sized private investment funds. The LP has committed capital across 13 underlying private investment funds which focus on a range of industries including health care, business services, software businesses, and food and consumer products. For the half-year ended 30 September 2018, these underlying private investment funds made drawdown requests on the LP to fund their investments, management fees and operating expenses. Net drawdown requests made by the underlying private investment funds since inception to the end of the period totalled US\$48.5 million.

The Fund has committed capital of US\$81.2 million, representing an interest of 71.2% in the LP. The Fund's proportionate share of the total capital called as at 30 September 2018 was US\$41.7 million (or \$57.7 million).

Distributions

There were no distributions paid, recommended or declared during the current or previous half-year.

Events subsequent to the reporting period

No matter or circumstance has arisen since 30 September 2018 that has significantly affected, or may significantly affect the Fund's operations, the results of those operations, or the Fund's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

Cordish Dixon Private Equity Fund III
Directors' report
30 September 2018

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the directors



Alex MacLachlan
Chairman of Walsh & Company Investments Limited, Responsible Entity

29 November 2018

The Board of Directors
Walsh & Company Investments Limited
as Responsible Entity for:
Cordish Dixon Private Equity Fund III
Level 15
100 Pacific Highway
NORTH SYDNEY NSW 2060

29 November 2018

Dear Board Members

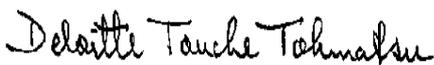
Cordish Dixon Private Equity Fund III

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of the Responsible Entity of Cordish Dixon Private Equity Fund III.

As lead audit partner for the review of the financial statements of Cordish Dixon Private Equity Fund III for the financial half-year period ended 30 September 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Weng W Ching
Partner
Chartered Accountants

Cordish Dixon Private Equity Fund III
Condensed statement of profit or loss and other comprehensive income
For the half-year ended 30 September 2018

	Note	30 September 2018 \$	30 September 2017 \$
Revenue			
Interest income		659,959	357,321
Foreign exchange gain/(loss)		3,816,752	(184,309)
Fair value movements of equity investments	3	<u>4,231,341</u>	<u>(499,588)</u>
Total revenue		<u>8,708,052</u>	<u>(326,576)</u>
Expenses			
Management and administration fees	7	(253,604)	(186,116)
Listing fees		(34,214)	(52,771)
Accounting and audit fees		(38,709)	(22,951)
Custody fees		(11,316)	(6,824)
Share registry fees		(11,791)	(9,308)
Legal and professional fees		(116,786)	(82,787)
Other expenses		(19,198)	(28,894)
Contribution fee		-	(415,497)
Total expenses		<u>(485,618)</u>	<u>(805,148)</u>
Profit/(loss) before income tax expense		8,222,434	(1,131,724)
Income tax expense		<u>(397,694)</u>	-
Profit/(loss) after income tax expense for the half-year		7,824,740	(1,131,724)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income/(loss) for the half-year		<u><u>7,824,740</u></u>	<u><u>(1,131,724)</u></u>
		Cents	Cents
Basic earnings/(loss) per unit		10.86	(2.22)
Diluted earnings/(loss) per unit		10.86	(2.22)

The above condensed statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Cordish Dixon Private Equity Fund III
Condensed statement of financial position
As at 30 September 2018

	Note	30 September 2018 \$	31 March 2018 \$
Assets			
Current assets			
Cash and cash equivalents		58,207,755	64,049,994
Receivables		119,582	106,443
Prepayments		35,602	20,661
Total current assets		<u>58,362,939</u>	<u>64,177,098</u>
Non-current assets			
Other financial assets	3	<u>58,105,021</u>	<u>44,077,339</u>
Total non-current assets		<u>58,105,021</u>	<u>44,077,339</u>
Total assets		<u>116,467,960</u>	<u>108,254,437</u>
Liabilities			
Current liabilities			
Trade and other payables		<u>62,872</u>	<u>106,837</u>
Total current liabilities		<u>62,872</u>	<u>106,837</u>
Non-current liabilities			
Deferred tax	4	<u>842,602</u>	<u>409,854</u>
Total non-current liabilities		<u>842,602</u>	<u>409,854</u>
Total liabilities		<u>905,474</u>	<u>516,691</u>
Net assets		<u>115,562,486</u>	<u>107,737,746</u>
Equity			
Unit capital	5	109,672,616	109,672,616
Retained profits/(accumulated losses)		<u>5,889,870</u>	<u>(1,934,870)</u>
Total equity		<u>115,562,486</u>	<u>107,737,746</u>

The above condensed statement of financial position should be read in conjunction with the accompanying notes

Cordish Dixon Private Equity Fund III
Condensed statement of changes in equity
For the half-year ended 30 September 2018

	Unit capital	(Accumulated losses)	Total equity
	\$	\$	\$
Balance at 1 April 2017	74,297,439	(2,133,640)	72,163,799
Loss after income tax expense for the half-year	-	(1,131,724)	(1,131,724)
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive loss for the half-year	-	(1,131,724)	(1,131,724)
Issued capital	36,480,000	-	36,480,000
Issue costs	(1,144,530)	-	(1,144,530)
Balance at 30 September 2017	<u>109,632,909</u>	<u>(3,265,364)</u>	<u>106,367,545</u>
		Retained earnings/ (Accumulated losses)	
	Unit capital	\$	Total equity
	\$	\$	\$
Balance at 1 April 2018	109,672,616	(1,934,870)	107,737,746
Profit after income tax expense for the half-year	-	7,824,740	7,824,740
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	7,824,740	7,824,740
Balance at 30 September 2018	<u>109,672,616</u>	<u>5,889,870</u>	<u>115,562,486</u>

The above condensed statement of changes in equity should be read in conjunction with the accompanying notes

Cordish Dixon Private Equity Fund III
Condensed statement of cash flows
For the half-year ended 30 September 2018

	30 September 2018 \$	30 September 2017 \$
Cash flows from operating activities		
Interest income received	653,998	441,688
Net payments to suppliers	<u>(553,902)</u>	<u>(935,082)</u>
Net cash from/(used in) operating activities	<u>100,096</u>	<u>(493,394)</u>
Cash flows from investing activities		
Payment for investments	<u>(9,832,858)</u>	<u>(14,009,117)</u>
Net cash used in investing activities	<u>(9,832,858)</u>	<u>(14,009,117)</u>
Cash flows from financing activities		
Proceeds from issue of units	-	36,480,000
Payment of issue costs	<u>-</u>	<u>(1,144,530)</u>
Net cash from financing activities	<u>-</u>	<u>35,335,470</u>
Net (decrease)/increase in cash and cash equivalents	(9,732,762)	20,832,959
Cash and cash equivalents at the beginning of the financial half-year	64,049,994	60,151,508
Effects of exchange rate changes on cash and cash equivalents	<u>3,890,523</u>	<u>(184,309)</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>58,207,755</u></u>	<u><u>80,800,158</u></u>

The above condensed statement of cash flows should be read in conjunction with the accompanying notes

Cordish Dixon Private Equity Fund III
Notes to the condensed financial statements
30 September 2018

1. General information

Cordish Dixon Private Equity Fund III (**Fund**) is a Managed Investment Scheme registered and domiciled in Australia. The principal activities of the Fund are to invest in small-to-mid-market private investment opportunities in the United States of America (**US**), through its capacity as a Limited Partner of the US Select Private Opportunities Fund III, L.P. (**LP**) registered in the Cayman Islands.

This half-year financial report is intended to provide users with an update on the latest financial statements of the Fund.

Basis of preparation

(i) Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134: 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

The condensed financial statements were authorised for issue by the directors on 29 November 2018.

(ii) Summary of significant accounting policies

The same accounting policies and methods of computation have been followed in this half-year financial report as were applied in the most recent annual financial statements.

The following new and revised Standards and Interpretations have been adopted in the current period and, where applicable, only affect disclosure and presentation in this financial report.

- AASB 9 'Financial Instruments' and the relevant amending standards
- AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards - Effective Date of AASB15', and AASB 2016-3 'Amendments to Australian Accounting Standards - Clarifications to AASB15'
- IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration

The adoption of the above standards had no material impact on the half-year financial statements.

(iii) Critical accounting estimates and judgements

In the application of the Fund's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Accounting policies which are subject to significant accounting estimates and judgements include fair value determination of the interest held by the Fund in the Limited Partnership (refer to note 3 (iv)), recognition of a deferred tax liability in respect of likely US tax obligations which will arise from underlying fund investment realisations (refer note 4), and selection of Australian dollars as the functional currency of the Fund.

Cordish Dixon Private Equity Fund III
Notes to the condensed financial statements
30 September 2018

2. Operating segment

The Fund operates a single reportable segment, that being the business of investing in small-to-mid-market private investments in the United States of America through its interest in a Limited Partnership.

The Responsible Entity of the Fund is the Chief Operating Decision Maker (**CODM**) for the purpose of resource allocation and assessing performance of the operating segment.

Revenue, profit or loss, assets, liabilities and other financial information reported and monitored by the CODM of the single identified segment are reflected in the condensed financial statements and notes to the condensed financial statements of the Fund.

3. Non-current assets - other financial assets

(i) Equity investment constituting interest in Limited Partnership (**LP**) - at fair value:

	30	31 March
	September	2018
	2018	2018
	\$	\$
US Select Private Opportunities Fund III, LP (LP)	58,105,021	44,077,339

	30	31 March
	September	2018
	2018	2018
	\$	\$
(ii) Reconciliation		
Balance at the beginning of the period	44,077,339	11,968,964
Capital invested - at cost	9,796,341	32,459,243
Movement in fair value through profit or loss*	4,231,341	(350,868)
Balance at the end of the period	58,105,021	44,077,339

* Included in the 'movement in fair value' gain of \$4,231,341 (year ended 31 March 2018: loss of \$350,868) is an unrealised foreign exchange translation gain component of \$2,879,084 (year ended 31 March 2018: gain of \$168,842). This amount is also net of the Fund's 71.2% share of management fees paid by the LP to the General Partner of the LP, totalling \$545,519 (year ended 31 March 2018: \$1,279,218) (refer to note 7).

(iii) Fund's interest in assets and liabilities of LP

The 71.2% economic interest held by the Fund is not represented by voting rights or other power vested in the Fund to make decisions relating to the assets and liabilities of the LP. As is common practice with Limited Partnership arrangements, the General Partner of the LP is considered to be the party who holds the existing rights to direct the relevant activities of the LP, including the acquisition and disposal of investments.

Cordish Dixon Private Equity Fund III
Notes to the condensed financial statements
30 September 2018

3. Non-current assets - other financial assets (continued)

The Fund's 71.2% interest in US Select Private Opportunities Fund III, L.P. at 30 September 2018 is represented by its proportionate interest in the LP's assets and liabilities as follows:

	30	31 March
	September	2018
	2018	2018
	\$	\$
Cash	7,937,996	9,267,470
Investment in US private investment funds recorded at fair value	50,167,025	37,592,239
Due to US Select Direct Private Equity II LP	-	(2,782,370)
	<u>58,105,021</u>	<u>44,077,339</u>

(iv) Valuation

Valuation technique adopted

The fair value of the Fund's interest in the LP is determined using a 'proportionate' value method based on the Fund's 71.2% interest held in the total net asset value of the LP.

The LP holds investments predominately in US private investment funds, and it (the LP) adopts a similar fair value measurement basis, based on the proportionate interest it holds in the most recent reported total net asset values of the respective investment funds. There is up to a three month difference between the Fund's reporting date and the date of the most recent reported net assets of the investment funds. The investment funds themselves invest typically in US unlisted equity investments, the fair values of which are determined periodically based on market valuation techniques, which may involve methods and unobservable inputs such as price/earnings analysis or discounted cash flow techniques.

The fair value of the Fund's interest in the LP is therefore ultimately based on the market valuation techniques adopted by the investment funds in the measurement of their underlying unlisted equity investments. The fair value is also subject to foreign exchange translation impacts arising from translating the USD denominated interest in the LP to AUD at each balance date.

Investment risks

As noted above, the LP has invested in underlying private investment funds in the US market who have in turn invested in a portfolio of private equity investments. Because of the absence of any liquid trading market for these types of investments, it may take longer to liquidate these investments than would be the case for marketable securities and accordingly the value obtained on realisation may differ to the estimated fair values at balance date. The fair values assigned by the investment funds are based on a range of factors, including but not limited to the price at which the investments were acquired, the nature of the investments, private and public company comparables used to determine enterprise value, and other techniques using unobservable market inputs such as price/earnings multiples and discounted cash flow models. As such, those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material. These differences would directly impact the value of the interest held by the LP in the underlying investment funds and consequently the value of the interest held by the Fund in the LP. In addition, further investment valuation uncertainty arises as a result of a time lag of up to three months between the Fund's reporting date and the date of the most recent reported net assets of the private investment funds. Estimation uncertainty also arises in relation to likely US tax obligations the Fund will incur in connection with realisation of recorded fair value movements (refer to note 4).

Cordish Dixon Private Equity Fund III
Notes to the condensed financial statements
30 September 2018

3. Non-current assets - other financial assets (continued)

Inter-relationship between significant unobservable inputs and fair value measurement

The inter-relationship between the significant unobservable inputs and fair value measurements is such that the higher the growth rates or earnings multiples adopted by the investment funds, the higher the resultant fair value determination of the underlying equity investments, and therefore ultimately the higher the fair value of the Fund's investment in the LP. Since neither the Fund itself, nor the LP, has access to the underlying detailed equity investment valuations performed by the US investment funds, it is unable to assess the sensitivity of fair value determinations to changes in underlying unobservable inputs. However, at the Fund level, a 5% change (increase/decrease) in the carrying value of the LP's interest held in the underlying US investment funds would result in a \$2,508,351 impact (increase/decrease) in the carrying value of the Fund's investment in the LP. A 5% increase in the AUD/USD exchange rate would decrease the value of the Fund's investment in the LP by \$2,766,905. Conversely, a 5% decrease would increase the value of the Fund's investment by \$3,058,160. Refer to note 1(iii) for further details regarding investment risks and estimation uncertainty applied in the determination of the fair value of the underlying unlisted equity investments to which the Fund is exposed.

(v) Capital commitments

As at 30 September 2018, the Fund has made capital commitments totalling US\$81.2 million to the LP, of which US\$41.7 million has been called at balance date.

As at 30 September 2018, the Fund has uncalled capital commitments of US\$39.5 million (or \$54.7 million) outstanding to the LP. The capital commitments can be called at any time in the future.

The uncalled capital commitments referred to above were converted at the half-year end exchange rate of 0.7224.

4. Non-current liabilities - deferred tax

	30	31 March
	September	2018
	2018	2018
	\$	\$
Deferred tax liability	<u>842,602</u>	<u>409,854</u>

The deferred tax liability has been assessed based on an estimate of likely US tax obligations the Fund will incur upon realisation of recorded fair value movements in connection with certain underlying private equity investments. This estimate is subject to estimation uncertainty as a result of limitations in the availability of information pertaining to the tax structure of the underlying investments in respect of which the Fund has an interest.

5. Equity - unit capital

	30	31 March	30	31 March
	September	2018	September	2018
	2018	2018	2018	2018
	Units	Units	\$	\$
Ordinary units - fully paid	<u>72,028,420</u>	<u>72,028,420</u>	<u>109,672,616</u>	<u>109,672,616</u>

All issued units are fully paid. The holders of ordinary units are entitled to one vote per unit at meetings of the Fund and are entitled to receive distributions declared from time to time by the Responsible Entity.

There were no movements in unit capital during the half-year.

6. Equity - distributions

There were no distributions paid, recommended or declared during the current or previous financial half-year.

Cordish Dixon Private Equity Fund III
Notes to the condensed financial statements
30 September 2018

7. Related party disclosures

Directors

Alex MacLachlan, Warwick Keneally and Mike Adams are directors of the Responsible Entity, Walsh & Company Investments Limited, and are deemed to be key management personnel.

The key management personnel do not receive compensation from the Fund or from the Responsible Entity directly for their management function performed for the Fund.

Management fees

The Responsible Entity's duties include establishing the Fund's compliance plan and procedures and monitoring against regulatory and legislative requirements, the issuance of disclosure documents, the appointment and monitoring of external service providers to the Fund and overall administration of the Fund.

For these services, the Responsible Entity charged management fees of 0.33% per annum (exclusive of GST) on the gross asset value of the Fund. This is comprised of the Responsible Entity Fee of 0.08% per annum and Administration Fee 0.25% per annum. Management fees are paid to the Responsible Entity monthly in advance.

The total management fees paid to the Responsible Entity for the half-year ended 30 September 2018 was \$182,683 (2017: \$118,650), exclusive of GST. There were no outstanding management fees as at 30 September 2018.

Fund administration fees

Australian Fund Accounting Services Pty Limited, a wholly-owned subsidiary of Evans Dixon Limited, the parent of the Responsible Entity, provides fund administration services to the Fund under an agreement with the Responsible Entity. These services include net asset valuation, management accounting, statutory reporting, capital management and taxation. Total fund administration fees paid or payable for the half-year ended 30 September 2018 were \$60,000 (2017: \$60,000), exclusive of GST.

Investment manager fees

US Select Private Opportunities Fund III, L.P. (LP), in which the Fund holds an 71.2% interest, is required to pay its Investment Manager, US Select Private Opportunities Fund III, GP, being an entity associated with the Responsible Entity, for acting on behalf of the limited partnership to acquire, manage and transact on partnership interests within the scope of the limited partnership agreement, a fee equivalent to 1% per annum of the total funds committed by the partners to the LP. The fee is payable quarterly in advance from the funds of the LP. The total fees paid or payable during the half-year ended to 30 September 2018 amounted to \$766,178 (US\$570,070) (2017: \$660,614 (US\$508,795)). The Fund's 71.2% interest equates to \$545,519 (2017: \$470,357). This fee is recorded in the books of the LP.

US Select Direct Private Equity II, L.P.

At balance date, the Fund's share of the LP's investment in US Select Direct Private Equity II, L.P. was \$13,372,647 (US\$9,660,400) (31 March 2018: \$8,534,420 (US\$6,553,581)). The General Partner of this investment is associated with the Responsible Entity of the Fund.

8. Fair value measurement

Fair value

The fair value of financial assets and financial liabilities approximate their carrying values at the reporting date.

The table below analyses recurring fair value measurements for financial assets and financial liabilities. The fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to the valuation techniques used. The different levels are defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Cordish Dixon Private Equity Fund III
Notes to the condensed financial statements
30 September 2018

8. Fair value measurement (continued)

- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
30 September 2018				
<i>Financial assets carried at fair value</i>				
Other financial assets - equity investment constituting interest in US Select Private Opportunities Fund III, LP	-	-	58,105,021	58,105,021
Total assets	-	-	58,105,021	58,105,021
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
31 March 2018				
<i>Financial assets carried at fair value</i>				
Other financial assets - equity investment constituting interest in US Select Private Opportunities Fund III, LP	-	-	44,077,339	44,077,339
Total assets	-	-	44,077,339	44,077,339

The Fund recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the transfer has occurred. There were no transfers between levels during the period ended 30 September 2018.

Details of the determination of level 3 fair value measurements including the valuation technique adopted and the key underlying unobservable inputs used are set out in note 3.

The Fund has established a control framework with respect to measurement and assessment of fair values. This framework includes a sub-investment committee that has overall responsibility for analysing the performance and fair value movements of underlying US investment fund holdings during each reporting period.

9. Events after the reporting period

No matter or circumstance has arisen since 30 September 2018 that has significantly affected, or may significantly affect the Fund's operations, the results of those operations, or the Fund's state of affairs in future financial years.

Cordish Dixon Private Equity Fund III
Directors' declaration
30 September 2018

In the opinion of the directors of the Responsible Entity:

- the financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with the Accounting Standards;
- the attached financial statements and notes give a true and fair view of the Fund's financial position as at 30 September 2018 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors of the Responsible Entity made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the directors



Alex MacLachlan
Chairman of Walsh & Company Investments Limited, Responsible Entity

29 November 2018

Independent Auditor's Review Report to the Unitholders of Cordish Dixon Private Equity Fund III

We have reviewed the accompanying half-year financial report of Cordish Dixon Private Equity Fund III ("the Fund"), which comprises the condensed statement of financial position as at 30 September 2018, and the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Responsible Entity of the Fund.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Responsible Entity of the Fund are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Cordish Dixon Private Equity Fund III's financial position as at 30 September 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Cordish Dixon Private Equity Fund III, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

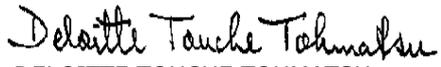
Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Responsible Entity of the Fund, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cordish Dixon Private Equity Fund III is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Fund's financial position as at 30 September 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.


DELOITTE TOUCHE TOHMATSU



Weng W Ching
Partner
Chartered Accountants
Sydney, 29 November 2018

Cordish Dixon Private Equity Fund III

Directory

30 September 2018

The Fund's units are quoted on the official list of Australian Securities Exchange (**ASX**).
The ASX code is **CD3**

Cordish Dixon Private Equity Fund III

(ARSN 612 132 813)

Registered & Principal Office

Level 15, 100 Pacific Highway

NORTH SYDNEY NSW 2060

T 1300 883 158

F 1300 883 159

E info@cordishdixonfunds.com.au

cordishdixonfunds.com.au

Auditor

Deloitte Touche Tohmatsu

Grosvenor Place

225 George Street

SYDNEY NSW 2000

T +61 2 9322 7000

F +61 2 9322 7001

deloitte.com.au

Responsible Entity

Walsh & Company Investments Limited

(ACN 152 367 649)

(AFSL 410 443)

Level 15, 100 Pacific Highway

NORTH SYDNEY NSW 2060

T 1300 454 801

F 1300 883 159

E info@walshandco.com.au

walshandco.com.au

Unit Register

Boardroom Pty Limited

Level 12, 225 George Street

SYDNEY NSW 2000

T 1300 737 760 (Australia)

T +61 2 9290 9600 (International)

F 1300 653 459

boardroomlimited.com.au

Directors

Alex MacLachlan

Warwick Keneally

Mike Adams

Secretaries

Caroline Purtell

Hannah Chan

