



Quarterly update for period ending 30 June 2017

Fund update

The estimated unaudited net tangible asset (**NTA**) value before withholding tax on unpaid distributions at 30 June 2017 was \$2.05 per unit¹ (at 31 March 2017, it was \$2.13 per unit¹). The 30 June 2017 unaudited NTA value adjusts for the \$0.10 per unit distribution, which was announced on 26 May 2017.

The Fund is a long-term investor and seeks to make investments in a tax-effective manner. If tax at 35% on estimated underlying investment values were to be recognised, the estimated unaudited net asset backing after tax as at 30 June 2017 would be \$1.98 per unit¹.

US Select Private Opportunities Fund II, L.P. (**LP**), has committed US\$98.0 million across 12 private investment funds, all focused on small-to-mid-market private investment opportunities.

At 30 June 2017, US\$62.9 million (or 66.2% of total funds committed to the LP) had been called by the LP. The Fund's proportionate share of this is approximately US\$54.9 million (an 87.3% share).

During the second quarter (**Q2**), the LP received 13 drawdown requests and three capital returns for a total net consideration of US\$3.7 million. At 30 June 2017, net drawdown requests from underlying investments were approximately US\$60.1 million (or 61.3% of total funds committed by the LP).

The Australian dollar (**AUD**) traded between 0.7374 and 0.7689 during Q2, ending on June 30 at the quarter's high of 0.7689.

Fund performance

	3 MONTH	6 MONTH	1 YEAR	2 YEARS PA	3 YEARS PA	SINCE INCEPTION PA ⁵
Unit price return ⁴	4.0%	2.1%	2.5%	3.7%	11.9%	10.0%
NTA return ^{1,4}	0.9%	-3.6%	2.9%	3.7%	11.9%	10.1%

Fund facts

KEY FUND DETAILS	
ASX ticker	USG
Inception	April 2013
Sector	Listed investment trust
Currency	AUD (unhedged)
Pre-tax NTA (per Unit)	\$2.05
Market capitalisation	\$118.7 million
Units outstanding	55.2 million
Number of managers	12
ONGOING FEES	
Investment Manager fee	2% pa ²
Administration & Responsible Entity fee	0.33% pa ²
Performance fee	n/a

For more information on fees and costs associated with the Fund, please refer to Section 7 of the Product Disclosure Statement (PDS) dated 22 February 2013.

DISTRIBUTIONS ANNOUNCED ³ (LAST 12 MONTHS)	
May 2017	10 cents per unit
June 2016	8 cents per unit

Private investment market commentary

In Q2, the US economy demonstrated further signs of strength. U.S GDP increased 2.6% year-on-year (yoy) in Q2, lifted by consumer spending, which makes up more than two-thirds of the U.S. economy. Consumer spending grew at 2.8% yoy, up from 1.9% yoy in Q1 2017. US labour market conditions continued to improve. The May unemployment rate was 4.3%, its lowest level since May 2001. Over the past three months nonfarm payrolls continued to increase, with an average of 183,000 jobs per month being created. While US employment continues to strengthen, limited wage growth has been an ongoing theme. In both May and June, it was reported that private-sector workers saw their pay cheques grow 2.4%, on average, over the previous year.

Global private equity fundraising continues to accelerate. According to Preqin, the industry saw 206 funds reach a final close during the quarter, raising a combined US\$121 billion. This surpassed the US\$119 billion raised in Q2 2016. Capital commitments have now exceeded US\$100 billion per quarter in four of the last five quarters, demonstrating the sustained strength of the fund raising market⁶. Despite an increase in total industry capital raisings, significantly fewer funds reached final close in Q2 than in the previous corresponding quarters (206 funds compared with 270 in Q2 2016 and 319 in Q2 2015).

Globally, the average size for funds closed in the six months to 30 June 2017 increased to US\$625 million. In North America the average fund size at final close varied little from the previous quarter, and was in line with the global 2017 year to 30 June average: US\$68 billion was raised by 109 funds during Q2⁶. The size of the average new fund is materially larger than the underlying funds targeted by the LP. Consequently, much of the newly committed capital

will target a different set of investment opportunities than this Fund.

Also according to Preqin, private equity backed deals increased in value in Q2 2017 compared with the previous quarter 2017. Globally, private equity backed deals in Q2 accounted for an aggregate value of US\$83.2 billion across 1,001 companies compared with US\$55.3 billion across 1,008 companies in Q1 2017. However, Q2 numbers were down compared with the same period in 2016, when private equity backed 1,113 companies with an aggregate value of US\$99.6 billion⁷.

In North America, deal value jumped substantially from the previous quarter. During Q2, 537 companies were backed by private equity, in deals worth US\$55.4 billion. This more than doubled the Q1 value of US\$25.2 billion for 535 companies and only slightly below the Q2 2016 aggregate value of US\$56.9 billion for 534 companies⁷.

With regards to global private-equity backed exits, Q2 resulted in 381 companies being sold for an aggregate value of US\$59.3 billion, again an increase over the first quarter aggregate value of US\$48.4 billion for 419 companies, but a decrease compared to Q2 2016 numbers of US\$96.0 billion for 504 companies. Private equity backed exits in North America accounted for well more than half of the global activity in value, with 178 exits worth US\$36.2 billion in aggregate⁵.

With more capital being allocated to larger funds, which are chasing larger deals, this Fund remains well positioned in the small-to-medium sized private investment fund niche.

Notes:

1. Source: Walsh & Company Investments Limited. Historical performance is not a guarantee of future Fund performance.
2. Administration and Responsible Entity fee pre-GST. No GST applicable to Investment Manager fee.
3. Payment of distributions will likely be upon the realisation of underlying investments and occur intermittently.
4. Total returns are inclusive of distributions. Net return is net of fees and costs.
5. Inception date April 2013.
6. Source: Preqin, Q2 2017 Fundraising Update.
7. Source: Preqin, Q2 2017 Buyout Deals and Exits.

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Underlying Fund Activity

Blue Point Capital Partners III, L.P. (Blue Point) No material investment activity during the quarter.

Chicago Pacific Founders Fund, L.P. (CPF) CPF invested in Pinnacle Dermatology, a leading dermatology practice organisation in the Midwest. Pinnacle delivers a comprehensive suite of dermatology and cosmetic services, caring for conditions like psoriasis, dermatitis, acne, and eczema, and provides early detection of, and highly effective treatments for, skin cancers. <https://www.dpsamed.com/>

DFW Capital Partners IV, L.P. (DFW) DFW distributed a second dividend from Sebela, returning a gross amount of \$614,256 to the LP.

High Road Capital Partners Fund II, L.P. (High Road) High Road invested in Midwest Wholesale Hardware, a leading wholesale distributor of advanced security, door hardware and access control systems that provide effective, safe and secure solutions for commercial and institutional building markets. <https://www.midwestwholesale.com/>

Main Post Growth Capital, L.P. (Main Post) Main Post invested in KUIU, a premier lifestyle hunting gear and apparel brand that offer technical products directly to consumers. The company's unique eCommerce platform allows it to offer the high-quality fabrics at a superior value. <http://www.kuiu.com/>

NMS Fund II, L.P. (NMS) NMS invested in Omni Eye Services, an optometric referral practice providing a full range of specialty services for the advanced treatment of eye diseases. Based in Iselin, New Jersey and established in 1998, Omni provides eye care services through a network of six offices, including one that operates an ophthalmology-focused ambulatory surgery centre, throughout New Jersey and New York. <http://www.omnieyeservices.com/>

RFE Investment Partners VIII, L.P. (RFE) RFE sold Wind River, distributing \$3,505,780 to the LP. RFE invested additional capital into Squan.

Staple Street Capital II, L.P. (Staple Street) No material investment activity during the quarter.

Tengram Capital Partners Gen2 Fund, L.P. (Tengram) Tengram sold DevaCurl, distributing \$4,811,492 to the LP. Tengram invested additional capital in Luciano Barbera.

Tower Arch Partners I, L.P. (Tower Arch) Tower Arch invested additional capital in Enertech. Tower Arch distributed \$555,421 to the LP.

Trive Capital Fund I, L.P. (Trive) Trive sold AGM Automotive, distributing \$1,571,237 to the LP. Trive invested additional capital into Architectural, Granite & Marble to fund its acquisition of Pental Surfaces (Pental). Pental is one of the largest independent value-added distributors of natural stone, engineered stone, and tile serving the western US. <http://www.pentalonline.com/>

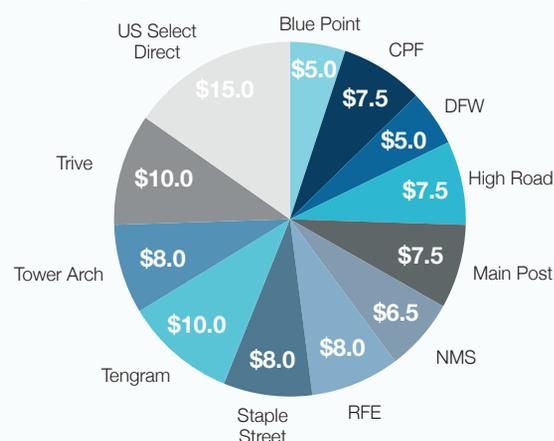
Trive invested additional capital in Valence to fund the acquisition of Magnetic & Penetrant Services Co. Inc. (MAPSCO).

The company provides metal finishing services to aerospace and defence industries as a mission-critical supplier in the aerospace supply chain. MAPSCO complements Valence's extensive service offering, which includes non-destructive testing, anodising, chem-film, precious metal plating, spray coatings, painting/top-coat and shot peening services to leading aerospace original equipment manufacturers and their machining suppliers. <http://mapscofinishing.com/>

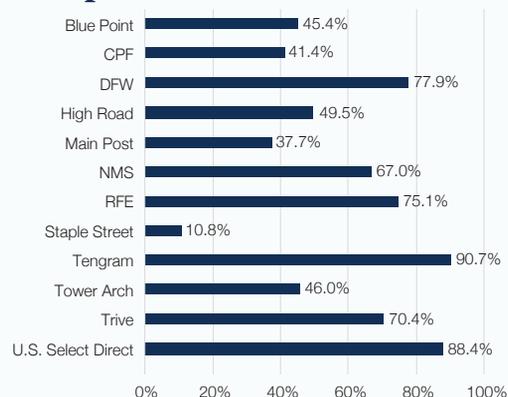
US Select Direct Private Equity (US), L.P. (US Select Direct) US Select Direct invested in Omaze, a platform for charitable donations. Omaze is a community and a three-tiered marketplace that connects not-for-profit organisations, influencers and brands, and donors through the power of storytelling and technology. The platform democratises traditional auctions by offering the chance to have a once in a lifetime experience for as little as US\$10. <https://www.omaze.com/>

US Select made an additional investment in Recovery Ways.

LP commitments to underlying managers (US\$98.0m)



Net capital drawdown



Note: The Fund has an 87.3% interest in the LP, Cordish Private Ventures and US Select Private Opportunities Fund II GP, LLC contributed the remaining amount based on their proportional shares. Numbers may not add due to rounding.

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Investment objectives

The General Partner (GP) and Investment Manager will seek to meet the Fund's aim to provide Unitholders with:

- a) exposure to a portfolio of investments in small and mid-market private investment funds and privately held companies predominantly focused in the US; and
- b) capital growth over a five- to ten-year investment horizon.

About the US Select Private Opportunities Fund Series

The US Select Private Opportunities Fund series is a joint venture between the private investment arm of the Cordish family of Baltimore, Maryland, and Walsh and Company.

The joint venture is anchored in the belief that smaller and more nimble private equity funds materially outperform larger private equity funds, and the Fund series was formed to provide investors with a platform to invest in a portfolio of small to mid-market private equity funds and companies, a strategy that is typically beyond the reach of all but the largest endowments and family offices.

The Fund series provides investors with the opportunity to avail themselves of the Cordish Family Office's experience and network in investing in specialist small to mid-market private equity funds and direct equity investments in the U.S. and to invest side-by-side and on equal terms with the Cordish Family in these compelling opportunities.

The US Select Fund series replicates the long-time private equity investment strategy of the Cordish Family Office, which both the Cordish Family Office and US Select's management believes delivers optimal risk-reward parameters for private equity investing, particularly for family offices.

About Walsh & Company

The Walsh & Company Group is a Sydney-based specialist global fund manager co-founded in 2007 by Max Walsh. The Company has over \$3.2 billion of investor assets under management across global equities, residential and commercial property, private equity, fixed income and sustainable and social investments.

It provides investors access to unique investment strategies that are not otherwise readily accessible to investors and focuses on building high-quality, diversified portfolios.

Walsh & Company Investments Limited is the Responsible Entity of the Fund and is a wholly owned subsidiary of Walsh & Company Group.

Risks

Like all investments, an investment in the Fund carries risks which may result in the loss of income or principal invested. In addition to the general risks of investing, specific risks associated with investing in the Fund include, but are not limited to, private investments risk, illiquidity risk and foreign

exchange risk. For further information about the risks of investing in the product see Section 9 of the Product Disclosure Statement dated 22 February 2013.

Key investment team members



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Important information

This Quarterly Update (**Update**) has been prepared by Walsh & Company Investments Limited as Responsible Entity (ACN 152 367 649, AFSL 410 443) of US Select Private Opportunities Fund II (**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 Responsible Entity 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 fulfillment 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.

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