

Vantage Private Equity Growth Limited

Quarterly Investor Report — Quarter Ending 31 December 2009



Special points of interest:

- Four Follow-on Investments Completed During the Quarter
- Equity Partners 3 Announces Acquisition of NZ Based HRV
- Economic Conditions Continue to Improve, Enhancing Portfolio Value

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SUMMARY

Background

Vantage Private Equity Growth Limited (VPEG) is a multi manager Private Equity investment company structured as an unlisted Australian public company. VPEG is focussed on investing in professionally managed Private Equity funds that invest in businesses that are at a more mature stage of development, and in particular the Later Expansion and Buyout stages of Private Equity investment.

The Company's investment objective for its Investment Portfolio is to achieve attractive medium to long-term returns on Private Equity investments while keeping the volatility of the overall investment portfolio low. This is achieved by investing across a highly diversified portfolio of Private Equity assets with diversification obtained by allocating across manager, geographic region, financing stage, industry sector and vintage year.

VPEG will invest the majority of its Investment Portfolio into Australian based Private Equity funds who in turn are focused on investing into small to mid market sized companies with enterprise value at initial investment of generally between \$20m and \$500m.

VPEG continues to build its investment portfolio and has to date committed \$43m across seven private equity funds.

As at 31 December 2009, VPEG had made seven investment commitments which include, \$8m to each of Archer Capital Fund 4, Catalyst Buyout Fund 2 and Quadrant Private Equity No. 2, \$7m to Next Capital II and \$4m to each of Advent V, Crescent Capital Partners III and Equity Partners Fund No. 3.

Important Information

This report has been prepared by Vantage Asset Management Pty Limited (ABN 50 109 671 123) AFSL 279186 (VAM) (in its capacity as Investment Manager of Vantage Private Equity Growth Limited (ABN 51 112 481 875)). It has been prepared without taking into account the objectives, financial situation or needs of any investor, which should be considered before investing. Investors should seek their own advice about an appropriate investment or investment strategy. It should not be relied upon as personal advice nor is it an offer of any financial product.

Performance

The period 1 October 2009 to 31 December 2009 saw continued growth in VPEG's portfolio of private equity investments.

During the period the number of private equity investments within the portfolio, for which funds had been drawn from VPEG, remained at 21 in total, however four follow on investments were completed during the quarter by companies already within the portfolio. Three of these "follow-ons" were completed by Crescent Capital Partners III investees and another follow on investment was completed by a Quadrant Private Equity No.2 investee.

The table to the right provides a summary of the performance of VPEG's portfolio during the December 09 quarter. As demonstrated VPEG's post tax NAV per share increased from \$0.998 at 30 September 2009 to \$1.014 at 31 December 2009.

The increase in NAV during the quarter was attributed to an increase in the valuation of fourteen underlying private equity investments as at 31 December 2009 as well as income from VPEG's cash & fixed interest investments outstripping operational costs.

Month Ending	VPEG NAV per Ordinary Share*
31-Dec-09	1.014
30-Nov-09	0.995
31-Oct-09	0.997
30-Sep-09	0.998

*Net Asset Value (NAV) per share post tax

Key Portfolio Developments

During the period 1 October 2009 to 31 December 2009, VPEG's portfolio of private equity investments expanded as a result of the completion of four follow on investments (one of which was detailed in the September 2009 quarterly report — National Hearing Care's acquisition of Bay Audiology) .

Draw downs, during the quarter were made by Advent V, Catalyst Buyout Fund 2, Crescent Capital Partners III (CCPIII), Equity Partners 3, Next Capital II and Quadrant Private Equity No. 2 (QPE2) totaling \$664,626.

The majority of capital drawn from VPEG during the quarter contributed toward funding the acquisition of **Bay Audiology** by CCP III investee **National Hearing Care**.

Additional capital was drawn from VPEG to contribute toward the acquisition of an additional hotel by Quadrant Private Equity No. 2 investee **Independent Pub Group** (IPG).

Further Capital was drawn to invest into CCP III investee's Steel-line Garage Doors and Covermore, while the remaining capital drawn from VPEG during the quarter contributed toward working capital expenditure (i.e. underlying fund costs and management fees) for those funds that did not make any specific acquisitions during the quarter.

During October 2009, CCPIII investee **National Hearing Care** completed the acquisition of **Bay Audiology** New Zealand from the NZ listed Abano Healthcare.

Also during October, CCP III increased its investments in the **Cover More Group** and **Steel-Line Garage Doors** improving its equity position in both.

In addition during November 2009 QPE2 investee **IPG** completed the acquisition of the Whitehorse Inn in South Australia, bringing the total number of hotels within the IPG portfolio to nineteen.

Finally, during the quarter, Equity Partners 3 offered to acquire a majority shareholding in the New Zealand headquartered **HRV**. The offer was accepted by the company in January 2010 with funding for the acquisition called from EP3 investors including VPEG during that month.

"The majority of capital drawn from VPEG during the quarter contributed toward funding the acquisition of Bay Audiology by CCP III investee National Hearing Care."

Overview of New Underlying Investments

HRV

During the Quarter **Equity Partners 3** offered to acquire a majority shareholding in New Zealand based HRV. The offer was accepted by the company during January 2010 with a completion date of 5 February 2010.

Established in 2003, HRV (an acronym for "Heat Recovery Ventilation") provides an integrated product offering consisting of design, supply, installation, finance and ongoing maintenance of positive pressure home ventilation systems in New Zealand and Australia.

The positive pressure home ventilation system continuously recovers warmer, drier air from ceiling cavities which is then filtered and forced through living spaces such that purified air displaces stale moist air in the home. The key benefits of the system include improvement in home air quality, control of condensation and improved energy efficiency.

The company has a national franchise network in NZ consisting of 20 franchises, complemented by an emerging presence in Australia.

Since commencement, HRV has installed more than 60,000 units in NZ homes with more than 1,000 units installed in homes in Victoria (Australia) since July 2008.

Funding provided by EP3 will be used to expand the business footprint across NZ and further into Australia.



PORTFOLIO STRUCTURE

VPEG's Portfolio Structure – 31 December 2009

The tables and charts below provide information on the breakdown of VPEG's investments as at 31 December 2009.

Current Investment Portfolio Allocation*

The following table provides the split of VPEG's current investment portfolio across cash, fixed interest securities (term deposits) and Private Equity (drawn down).

The drawn down Private Equity component of the portfolio is further broken down by the investment stage (Later Expansion or Buyout) of the underlying investments that currently make up VPEG's Private Equity portfolio.

Cash	Fixed Interest	Private Equity (Drawn Down)	
2.2%	57.1%	Later Expansion	11.0%
		Buyout	29.7%

*As a percentage of VPEG's Investment Portfolio (or Gross Assets). As at 31 December 2009 VPEG's Gross Assets were \$ 35.8 million (unaudited) pre tax.

During the December 09 Quarter VPEG's exposure to private equity investments grew from 37.3% to 40.7% with the Cash and Fixed interest component of the investment portfolio reducing from 62.7% to 59.3%. The increase in Private Equity exposure was due to the completion of the Bay Audiology Acquisition by CCP III investee National Hearing Care, as well as other follow on investments by CCPIII & QPE2.

Private Equity Portfolio

VPEG, with commitments to seven Private Equity funds, ultimately holds interests in twenty one underlying company investments to which funds have been drawn. VPEG's Private Equity portfolio and commitments, as at 31 December 2009, were as follows:

Private Equity Fund Name	Fund Size	Vintage Year	Investment Focus	VPEG Commitment	Capital Drawn Down	No. of Investee Companies
Advent V	\$300m	2006	Small to Mid Market Expansion / Buyout	\$4.0m	\$2.46m	6
Archer Capital Fund 4	\$1,360m	2007	Mid Market Buyout	\$8.0m	\$2.72m	5
Catalyst Buyout Fund 2	\$438m	2008	Mid Market Buyout	\$8.0m	\$0.46m	0
Crescent Capital Partners III	\$400m	2006	Small to Mid Market Expansion / Buyout	\$4.0m	\$2.89m	5
Equity Partners Fund No. 3	\$76m	2007	Small Market Expansion / Buyout	\$4.0m	\$0.71m	1
Next Capital II	\$285m	2008	Small to Mid Market Expansion / Buyout	\$7.0m	\$0.28m	0
Quadrant Private Equity No. 2	\$500m	2007	Mid Market Expansion / Buyout	\$8.0m	\$5.38m	4

"VPEG ultimately holds interests in twenty one underlying company investments"

PORTFOLIO STRUCTURE – continued

Summary of VPEG's Top 10 Underlying Private Equity Investments

The table below provides a snapshot of the top ten underlying private equity investments in VPEG's portfolio, for which funds have been drawn from VPEG, as at 31 December 2009.

With the completing of the Bay Audiology NZ acquisition during the quarter, National Hearing Care moved into the Top 10 representing 2.6% of VPEG's total investment portfolio.

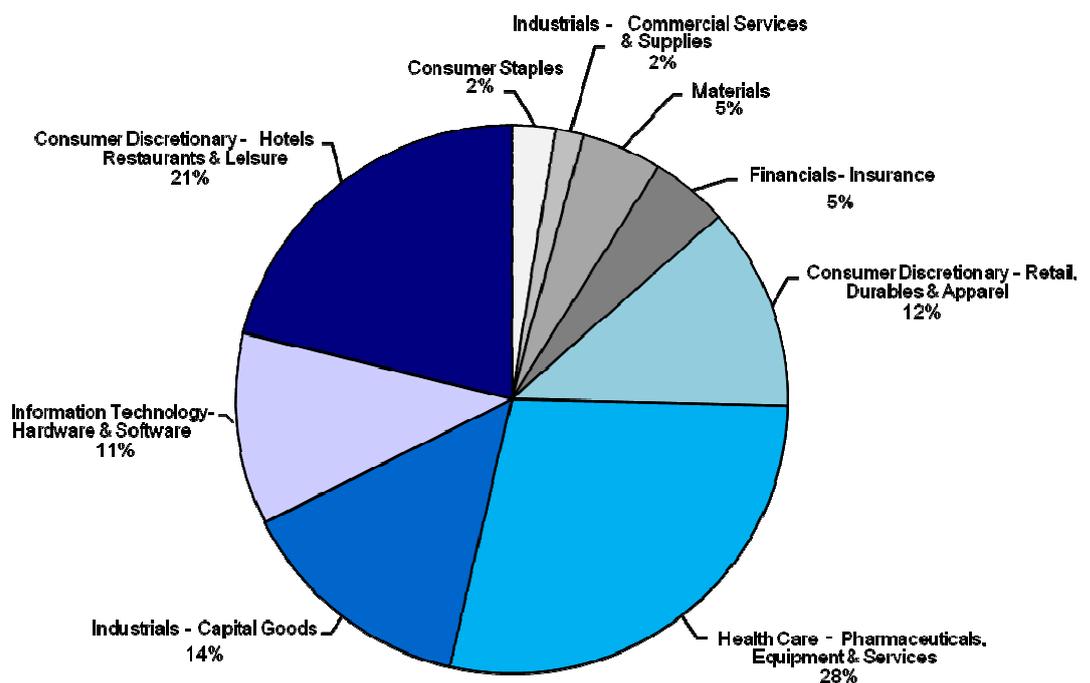
Rank	Investment	Description	% of VPEG NAV*	Cumulative % of VPEG NAV*
1	Quick Service Restaurants	Chicken Fast Food Retailing	5.3%	5.3%
2	MYOB	Developer, Marketer & Distributor of Business Software Systems	3.9%	9.2%
3	IVF Australia	Owner Operator of Fertility Clinics in NSW & Victoria	3.7%	13.0%
4	Independent Pub Group	Owner of Gaming Hotels in Qld, SA & NSW	3.3%	16.2%
5	Summerset Retirement Villages	Owner & Operator of Retirement Villages in NZ	2.7%	19.0%
6	National Hearing Care	Independent Distributor of Hearing Aids	2.6%	21.6%
7	Skins	Compression Sports Apparel Designer & Marketer	2.1%	23.7%
8	Cover More	Provider of Travel Insurance & Emergency Care Services	1.9%	25.5%
9	Integrated Packaging Group	Manufacturer & Distributor of Packaging Products	1.9%	27.4%
10	Rebel Group	Sporting Goods Retailer	1.8%	29.2%

*As at 31 December 2009 (unaudited) calculated on VPEG's pre tax NAV.

Industry Spread of VPEG's Underlying Investments

With the completion of the acquisition of Bay Audiology NZ by CCPIII investee National Hearing Care during the quarter, the "Health Care—Pharmaceuticals, Equipment & Services" sector of VPEG's Private Equity investment portfolio expanded to 28%, maintaining it as VPEG's largest sector exposure.

Also with the additional follow on investments by CCPIII into Steel-Line and CoverMore the "Materials" & "Financials" sector exposures expanded to 5% each.



GENERAL MARKET DEVELOPMENTS

Economic Conditions Continue to Improve, Enhancing Portfolio Value

The December quarter saw continued improvement in macro economic data in Australia leading the Reserve Bank of Australia to progress its tightening of monetary policy with a series of interest rate hikes during the period, placing rates closer to a neutral setting. Strength in overall growth, employment, housing and consumer prices suggested that there may be a relatively quick return for Australia to mid cycle conditions. Manufacturing and Service indices were indicating expansion and business confidence also improved during the quarter.

The 31 December revaluation exercise undertaken by VPEG's underlying managers also saw a positive uplift in the value of fourteen of VPEG's underlying investments during the quarter, with the value of the remaining portfolio companies unchanged. The majority of companies received an uplift in value due to improved earnings for the 12 months ending 31 December, compared with the same period the previous year. Furthermore a number of companies were able to reduce overall debt during the period, due to stronger cash flows, which ultimately improved the equity value held by the underlying funds.

As a result of the revaluation exercise, the average increase in the value of VPEG's underlying company investments, that underwent a change in valuation, was 16.7%. This resulted in an uplift in the value of VPEG's entire private equity investment portfolio of 6.2% across the period.

Turning to the availability of debt for new deals, underlying managers reported a material improvement in Australia's debt markets during the quarter. One manager reported that they had received a credit approved fully underwrite debt package in excess of \$100 million from one local Australian bank which was the first time any of our managers had seen any of the local commercial banks commit to a new exposure in excess of \$40 million.

Other managers have reported that each of the other local banks are now also enthusiastically seeking out good opportunities to support with debt funding. This bodes well for new private equity investment locally and in particular for those private equity managers with significant funds to deploy.

Additionally, VPEG's underlying managers reported that "investment grade" deal flow levels continued to improve during the quarter, with the valuation expectations of vendors continuing to contract, further narrowing the gap with that of prospective counterparties.

As a result we expect that the rate of private equity investment activity by VPEG's underlying managers will improve over the next 12 months as the economy continues to stabilise and a greater level of business confidence is restored. This will ultimately lead to a majority of VPEG's investment portfolio to be invested in private equity backed companies over the coming year.

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