

# Vantage Private Equity Growth Limited

Quarterly Investor Report — Quarter Ending 31 March 2011



## Special points of interest:

- Archer Capital Fund 4 Acquires Brownes Foods from Fonterra
- Advent V Acquires Additional Equity in Integrated Packaging Group to Become Majority Shareholder
- Archer Capital Fund 4 Announces sale of Cellarmasters to Woolworths.
- St George Bank Approves New Loan facility for VPEG Shareholders

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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 committed \$43m across seven private equity funds and currently holds interests in 28 underlying companies.

As at 31 March 2011, 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 January 2011 to 31 March 2011 once again saw the continued growth in the quantity, size & value of private equity investments held within VPEG's portfolio.

During the period one new and one follow-on private equity investment were completed within the portfolio. In addition one exit from the portfolio (Cellarmasters) was announced. As a result the total number of investments currently held within the underlying private equity portfolio grew to twenty eight. This will reduce to twenty seven once the Cellarmasters sale is completed in May 2011.

The table to the right provides a summary of the performance of VPEG's portfolio during the March 11 quarter. As demonstrated VPEG's post tax NAV per share grew slightly from \$1.086 at 31 December 2010 to \$1.088 at 31 March 2011.

The small growth in value was attributed to a general improvement in the holding valuation of the underlying private equity portfolio during the period, due to improved earnings and a general reduction in debt across portfolio companies.

Month Ending	VPEG NAV per Ordinary Share*
31-Mar-11	1.088
28-Feb-11	1.085
31-Jan-11	1.085
31-Dec-10	1.086

\*Net Asset Value (NAV) per share post tax

## Key Portfolio Developments

During the period 1 January 2011 to 31 March 2011, the quantity, size & value of VPEG's portfolio of private equity investments expanded as a result of the completion of one new and one follow on investment.

Draw downs during the quarter were made by Advent V, Archer Capital Fund 4 (Archer 4), Equity Partners 3, Next Capital II & Quadrant Private Equity No. 2, totaling \$959,026.

The majority of capital drawn from VPEG during the quarter contributed toward funding the one new investments by Archer 4, as well as the one follow on investment completed by Advent V.

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.

In February 2011, Advent V acquired additional shares in current investee company **Integrated Packaging Group** (IPG), from Hastings Private Equity, taking Advent V's holding in IPG to more than 90%.

During March 2011, Archer 4 completed the acquisition of **Brownes Foods**, Western Australia's leading processor and distributor of fresh milk, cheese & yoghurts

Finally in late February, Archer 4 announced that they had signed an agreement to sell portfolio company, **Cellarmasters Group** to Woolworths Ltd, with an expected completion date during May 2011.

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**“The majority of capital drawn from VPEG during the quarter contributed toward funding one new & one follow on investment”**

## Overview of Recent Investment & Exit

### New Investment

#### Brownes Foods

On 21st March 2011, **Archer Capital Fund 4** acquired a significant majority of Western Australian based Brownes Foods from Fonterra Brands Australia.



Brownes Foods is Western Australia's largest producer of dairy products covering white and flavoured milk, yoghurt, creams, custards, dairy desserts, juices and cheese. Brownes is a market leader in Western Australia with leading market shares across its product portfolio:

- Number 1 market position in white milk
- Number 2 market position in flavoured milk
- Number 2 market position in yoghurt

With over 120 years of brand investment and heritage, the Brownes brand epitomises quality and freshness and attracts loyalty and trust from consumers. Significant investment in innovation and product development has also resulted in a suite of value added sub-brands in modified/functional and flavoured milk and yoghurt.

Brownes Foods has won many dairy awards and has been Grand Champion at the Perth Royal Show on many occasions.

Brownes collects and processes over 130 million litres of milk every year fresh from the South West of Australia, making Brownes the state's largest milk collector. Brownes Foods enjoys long-standing relationships with its farmers, a number of whom have been suppliers to the business for over 20 years.

Brownes Foods operates a modern milk processing plant located on 8.4ha of land in Balcatta and adjacent to Perth's largest freeway. Built in 1998, the facility encompasses milk processing, packaging and materials handling technology and a chilled distribution centre.

Brownes Foods' second facility is located in Brunswick and manufactures yoghurt, dairy desserts, custards, cheese and creams.

### Announced Exit

#### Cellarmasters Group

During February 2011, Archer Capital Fund 4 announced that they had signed an agreement to sell the Cellarmasters Group to Woolworths Ltd for an enterprise value of A\$340 million. The sale agreement was signed subject to approval by the Australian Consumer and Competition Commission.



Following its review of the transaction, The Australian Competition and Consumer Commission announced, on the 21st April 2011, that it did not intend to oppose Woolworths Limited's proposed acquisition of Cellarmasters, which cleared the way for the completion of the sale by late April 2011.

The strong return on investment was an outstanding result given the difficult trading environment for the Australian wine industry during Archer's period of ownership, and is a credit to the efforts of the Archer team responsible for the transaction as well as Cellarmasters CEO Brad Banducci and CFO Guy Brent.

The direct-to-home business of Cellarmasters will be added to Woolworths existing liquor retail brands: Dan Murphy's, BWS, Woolworths Liquor and Langton's.

VPEG's share of the proceeds from the Cellarmaster sale were received on 6 May 2011. These proceeds will contribute to an increased dividend to VPEG shareholders later this year.

## PORTFOLIO STRUCTURE

### VPEG's Portfolio Structure – 31 March 2011

The tables and charts below provide information on the breakdown of VPEG's investments as at 31 March 2011.

#### 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)	
5.7%	31.4%	Later Expansion	11.6%
		Buyout	51.4%

\*As a percentage of VPEG's Investment Portfolio (or Gross Assets). As at 31 March 2011 VPEG's Gross Assets were \$ 39.17 million (unaudited) pre tax.

During the March 11 Quarter VPEG's exposure to private equity investments grew from 60.39% to 62.96% with the cash and fixed interest component of the investment portfolio reducing from 39.61% to 37.04%. The increase in Private Equity exposure was due to one new and one follow on acquisition completed during the period.

#### Private Equity Portfolio

VPEG, with commitments to seven Private Equity funds, currently holds interests in twenty eight underlying company investments to which funds have been drawn. VPEG's Private Equity portfolio and commitments, as at 31 March 2011, were as follows:

Private Equity Fund Name	Fund Size	Vintage Year	Investment Focus	VPEG Commitment	Capital Drawn Down	Current No. of Investee Companies
Advent V	\$300m	2006	Small to Mid Market Expansion / Buyout	\$4.0m	\$2.99m	5
Archer Capital Fund 4	\$1,360m	2007	Mid Market Buyout	\$8.0m	\$3.75m	7
Catalyst Buyout Fund 2	\$438m	2008	Mid Market Buyout	\$8.0m	\$3.30m	2
Crescent Capital Partners III	\$400m	2006	Small to Mid Market Expansion / Buyout	\$4.0m	\$3.42m	5
Equity Partners Fund No. 3	\$76m	2007	Small Market Expansion / Buyout	\$4.0m	\$1.10m	2
Next Capital II	\$285m	2008	Small to Mid Market Expansion / Buyout	\$7.0m	\$1.56m	2
Quadrant Private Equity No. 2	\$500m	2007	Mid Market Expansion / Buyout	\$8.0m	\$6.86m	5

**"VPEG currently holds interests in twenty eight underlying company investments"**

## PORTFOLIO STRUCTURE – continued

### Summary of VPEG's Top 10 Underlying Private Equity Investments

The table below provides an overview of the top ten underlying private equity investments in VPEG's portfolio, for which funds had been drawn from VPEG, as at 31 March 2011.

As a result of Advent V's follow on investment during the quarter, Integrated Packaging Group entered the top 10 list as VPEG's 9th largest Private Equity Investment.

Rank	Investment	Fund	Description	% of VPEG NAV*	Cumulative % of VPEG NAV*
1	Quick Service Restaurants	Quadrant Private Equity No. 2	Chicken Fast Food Retailing	6.5%	6.5%
2	MYOB	Archer Capital Fund 4	Developer, Marketer & Distributor of Business Software Systems	6.1%	12.6%
3	Virtus Health (formally IVF Australia)	Quadrant Private Equity No. 2	Owner Operator of Fertility Clinics in NSW & Victoria	4.4%	17.0%
4	Actrol	Catalyst Buyout Fund 2	Distributor of Refrigeration & Air-conditioning Parts & Equipment	4.4%	21.4%
5	Summerset Retirement Villages	Quadrant Private Equity No. 2	Owner & Operator of Retirement Villages in NZ	4.0%	25.4%
6	Independent Pub Group	Quadrant Private Equity No. 2	Owner of Gaming Hotels in Qld, SA & NSW	3.7%	29.1%
7	Cover More	Crescent Capital Partners III	Provider of Travel Insurance & Emergency Care Services	3.6%	32.7%
8	Home & Decor Holdings (Adairs & Dusky)	Catalyst Buyout Fund 2	Specialty Retail - Homewares	3.1%	35.8%
9	Integrated Packaging Group	Advent V	Manufacturer & Distributor of Packaging Products	2.7%	38.5%
10	Genesis Care	Advent V	National Network of Cardiology & Radiation Oncology Practices	2.6%	41.0%

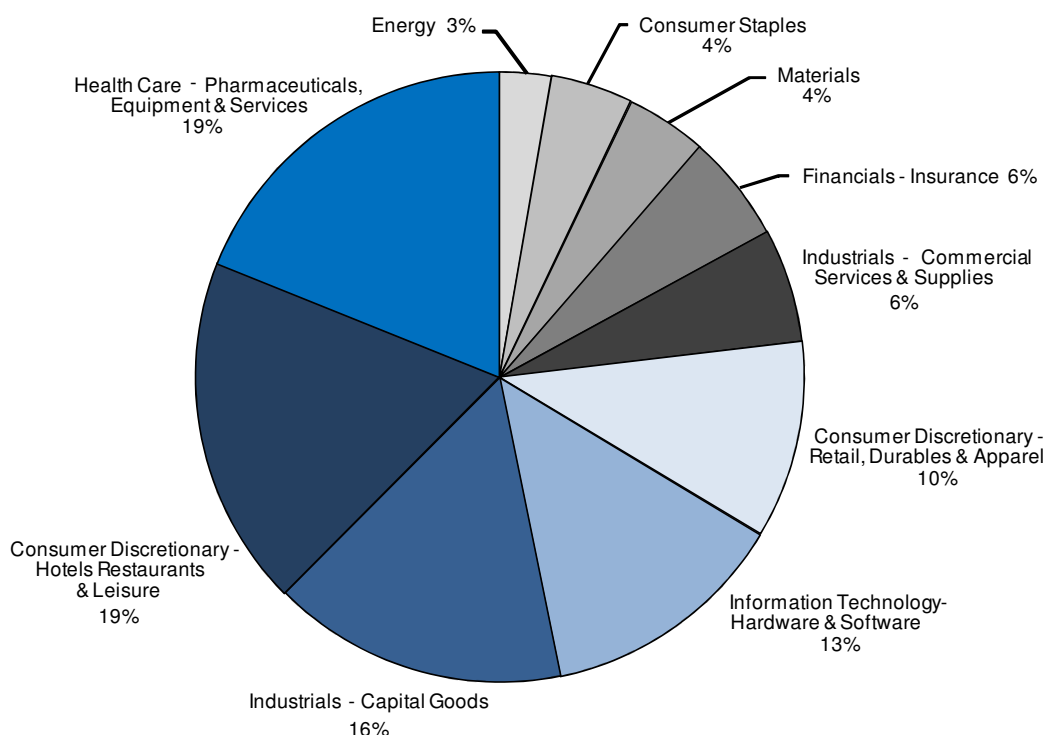
\*As at 31 March 2011 (unaudited) calculated on VPEG's pre tax NAV.

### Industry Spread of VPEG's Underlying Investments

With the purchase of Brownes Foods during the quarter, the "Consumer Staples" sector exposure grew from 2% to 4% of VPEG's total private equity portfolio.

The "Materials" sector also grew from 3% to 4% following Advent V's purchase of additional equity in Integrated Packaging Group.

The "Healthcare" & "Consumer Discretionary" Sectors remain VPEG's largest sector exposures each representing 19% of VPEG's total Private Equity portfolio.



## OTHER NEWS

### St George Bank Approves New Loan Facility for VPEG Shareholders

Following the completion of a renewed round of due diligence on VPEG, St George Bank recently approved the establishment of a new loan facility for VPEG shareholders, to take effect from the 1st of July 2011.

Vantage management engaged with St George and arranged this facility to provide the option to VPEG shareholders who had previously borrowed from St George Bank, to continue to finance their VPEG shareholdings.

The indicative interest rates and terms offered by St George Bank on the new facility are similar to those originally entered into by borrowers at loan inception.

During the early weeks of June 2011 St George Bank will commence to mail information packs and credit re-assessment application forms to borrowers whose loans mature in the near future. All other borrowers will receive these packs at least one month prior to their existing loans maturing.

In addition, copies of the loan renewal packs will be emailed to the relevant financial planner and or advisor for each borrower, where applicable.

It is imperative that borrowers who wish to renew their loans, return the loan re-assessment information requested by St George Bank, in a timely manner. This will allow the St George Bank individual approval process to conclude and loan re-documentation and execution to occur prior to the maturing of existing loans.

If further information is required please contact your financial planner or email [enquiries@vpeg.info](mailto:enquiries@vpeg.info)

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