

# Vantage Private Equity Growth Limited

Quarterly Investor Report — Quarter Ending 30 September 2009



## Special points of interest:

- Crescent Capital Partners III Acquires CoverMore Group, Australia's Leading Distributor of Travel Insurance
- Quadrant PE 2 investee IVF Holdings acquires Queensland Fertility Group
- Crescent III investee National Hearing Care acquires Bay Audiology NZ

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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 predominantly 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 30 September 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 from 1 July 2009 to 30 September 2009 saw continued steady 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, grew to 21 in total. An additional investment was announced by Crescent Capital Partners III during the quarter, however funding for this investment was not drawn from VPEG until October 2009.

The table to the right provides a summary of the performance of VPEG's portfolio during the September 09 quarter. As demonstrated VPEG's post tax NAV per share increased from \$0.992 at 30 June 2009 to \$0.998 at 30 September 2009.

The increase in NAV during the quarter was attributed to an increase in the valuation of five underlying private equity investments as at 30 September 2009 as well as income from VPEG's cash & fixed interest investments outstripping operational costs .

Month Ending	VPEG NAV per Ordinary Share*
30-Sep-09	0.998
31-Aug-09	0.993
31-Jul-09	0.992
30-Jun-09	0.992

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

## Key Portfolio Developments

During the period 1 July 2009 to 30 September 2009, VPEG's portfolio of private equity investments expanded as a result of the completion of two new investments (one of which was detailed in the June 2009 quarterly report — Genesis Care) with one bolt on investment also completed.

Draw downs, during the quarter were made by Advent V, Catalyst Buyout Fund 2, Crescent Capital Partners III, Equity Partners 3 and Quadrant Private Equity No. 2 totaling \$1,457,506.

The majority of capital drawn from VPEG during the quarter contributed toward funding the acquisitions of **Genesis Care** by Advent V and **CoverMore** by Crescent Capital Partners III (CCPIII).

Additional capital was drawn from VPEG to contribute toward the bolt on acquisition of **Queensland Fertility Group** made by Quadrant Private Equity No. 2 (QPE2) investee IVF Holdings.

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.

CCPIII investee National Hearing Care also contracted during the quarter to acquire **Bay Audiology** New Zealand from the NZ listed Abano Healthcare.

Also during September, CCP III acquired a majority of the equity of the **Cover More** Group, Australia's leading distributor of travel insurance and a provider of emergency care services to travelers

At the end of September 2009, QPE2 investee, IVF Holdings, completed the acquisition of **Queensland Fertility Group** an owner operator of fertility clinics located throughout Queensland

Finally the **Bay Audiology** acquisition was completed in October 2009 with the equity funding called from CCP III investors, including VPEG, during that month.

**“The majority of capital drawn from VPEG during the quarter went toward funding the acquisitions of Genesis Care by Advent V and Cover More by Crescent Capital Partners III ”**

## Overview of New Underlying Investments

### CoverMore Group



During September 2009, **Crescent Capital Partners III** acquired an approximate 80% equity interest in the CoverMore Group.

The CoverMore Group, established in 1986, is the largest integrated Australian based provider of travel insurance with operations in Australia, New Zealand and the United Kingdom. CoverMore employs more than 210 people in Australia and insures and assists more than 1 million travellers each year.

The CoverMore Group consists of two businesses "CoverMore" which holds an approximate 65% market share of the agency channel and 45% share of the overall market as well as a 24 hour emergency care business "CustomerCare" which holds an approximate 40% share of its market.

CoverMore Insurance engages in the sales, marketing and processing of travel insurance, predominantly for the holiday travel market.

CoverMore's sales are made primarily through the travel agency channel and it has long term contracts to exclusively provide insurance with three of the four top travel agents in Australia; Flight Centre, Stella Group and STA travel.

Customer Care provides 24 hour telephone based medical and logistical assistance to CoverMore Insurance policyholders and a number of external insurance providers. In effect it is an emergency medical response and crisis business.

### IVF Holdings – Queensland Fertility Group



At the end of September **Quadrant Private Equity No. 2** investee IVF Holdings completed the acquisition of Queensland Fertility Group (QFG).

With over 8000 IVF babies, one of the highest pregnancy rates in Australia and a medical team including many of the states most experienced and highly regarded obstetricians and gynaecologists, QFG is recognized as one of Australia's leading fertility, IVF and total women's health centres

QFG is the largest and most experienced IVF clinic in Queensland with 22 doctors, over 30 scientists and a team of counsellors, psychologists, nurses and administration staff.

QFG have clinics in Brisbane, Toowoomba, Mackay, Townsville and Cairns as well as affiliate clinics on the Gold Coast and Sunshine Coast.

Following the acquisition of QFG, IVF Holdings now delivers more than 35% of the total market for fertility services within Australia.

### National Hearing Care – Bay Audiology



During the Quarter **Crescent Capital Partners III** investee National Hearing (NHC) offered to acquire Bay Audiology New Zealand from the NZ listed Abano Healthcare. The offer was recommended by the Abano Board on 26 August 2009, with final shareholder approval obtained on 8 October 2009.

Bay Audiology is the leading provider of audiological diagnosis and fitting services in New Zealand. The business has 63 sites around New Zealand, 47 permanent sites and 16 visiting sites, employs 22 audiologists, 34 audiometrists and 13 Provisional Audiologists.

Bay's market share in New Zealand is approximately 35%. The business has a strong brand in New Zealand ("it is the OPSM of audiology") that is driven by extensive television and paper based advertising.

The acquisition of Bay moves NHC to become the market leader in Audiology in the region with more than 160 clinics operating across Australia and New Zealand.

## PORTFOLIO STRUCTURE

### VPEG's Portfolio Structure – 30 September 2009

The tables and charts below provide information on the breakdown of VPEG's investments as at 30 September 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)	
		Later Expansion	Buyout
3.6%	59.1%	8.5%	28.8%

\*As a percentage of VPEG's Investment Portfolio (or Gross Assets). As at 30 September 2009 VPEG's Gross Assets were \$ 35.02 million (unaudited) pre tax.

During the September 09 Quarter VPEG's exposure to private equity investments grew from 32.8% to 37.3% with the Cash and Fixed interest component of the investment portfolio reducing from 67.3% to 62.7%. The increase in Private Equity exposure was due to the completion of the buyout of Genesis Care by Advent V, as well as the buyout of CoverMore by Crescent Capital III, which lifted the proportion of buyout stage investments in VPEG's investment portfolio from 24.9% to 28.8%.

#### Private Equity Portfolio

VPEG, with commitments to seven Private Equity funds, now ultimately holds interests in twenty one underlying company investments to which funds have been drawn. VPEG's Private Equity portfolio and commitments, as at 30 September 2009, were as

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

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	\$2.45m	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	\$0.42m	0
Crescent Capital Partners III	\$400m	2006	Small to Mid Market Expansion / Buyout	\$4.0m	\$2.45m	5
Equity Partners Fund No. 3	\$76m	2007	Small Market Expansion / Buyout	\$4.0m	\$0.69m	1
Next Capital II	\$285m	2008	Small to Mid Market Expansion / Buyout	\$7.0m	\$0.21m	0
Quadrant Private Equity No. 2	\$500m	2007	Mid Market Expansion / Buyout	\$8.0m	\$5.31m	4

## 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 30 September 2009.

The two new investments funded during the quarter, Cover More and Genesis Care, both moved into the top ten table representing a combined 3% of VPEG's total investment portfolio.

Rank	Investment	Description	% of VPEG NAV*	Cumulative % of VPEG NAV*
1	Quick Service Restaurants	Chicken Fast Food Retailing	5.2%	5.2%
2	MYOB	Developer, Marketer & Distributor of Business Software Systems	4.1%	9.3%
3	IVF Australia	Owner Operator of Fertility Clinics in NSW & Victoria	3.9%	13.2%
4	Independent Pub Group	Owner of Gaming Hotels in Qld, SA & NSW	3.2%	16.4%
5	Summerset Retirement Villages	Owner & Operator of Retirement Villages in NZ	2.9%	19.3%
6	Skins	Compression Sports Apparel Designer & Marketer	2.0%	21.3%
7	Trivantage Group (formerly SJ Electrics)	Electrical Engineering Contracting & Switchboard Manufacturer	1.7%	23.0%
8	Cover More	Provider of Travel Insurance & Emergency Care Services	1.6%	24.7%
9	Ascendia (Rebel Sport / Amart All Sports)	Sporting Goods Retailer	1.4%	26.1%
10	Genesis Care	National Network of Cardiology & Radiation Oncology Practices	1.4%	27.5%

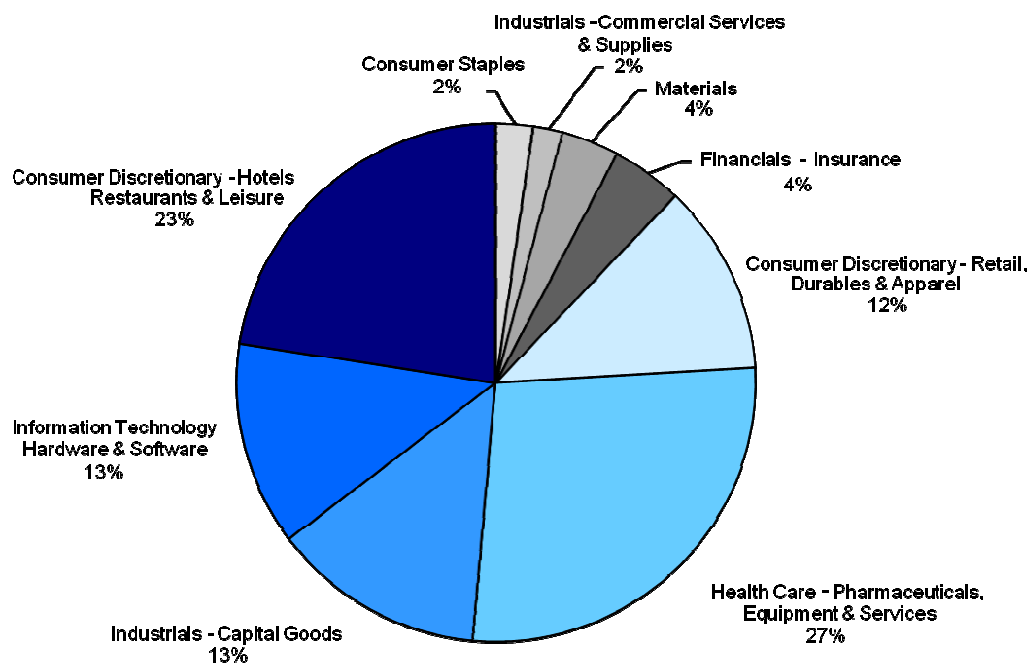
\*As at 30 September 2009 (unaudited) calculated on VPEG's pre tax NAV.

### Industry Spread of VPEG's Underlying Investments

With the completion of the investment into Genesis Care during the quarter, the "Health Care—Pharmaceuticals, Equipment & Services" sector of VPEG's Private Equity investment portfolio expanded from 25% to 27% of the portfolio, making that sector VPEG's largest exposure.

Also the acquisition of Covermore provided VPEG with a 4% exposure to the "Financials — Insurances" sector .

As a result VPEG's exposure to the "Consumer Discretionary—Hotels, Restaurants & Leisure" sector reduced from 25% to 23%.



## GENERAL MARKET DEVELOPMENTS

### Improving Economic Conditions Enhancing Portfolio Value and Size

The September 2009 quarter saw a continuing improvement in market conditions locally supported by improved consumer and investment confidence levels. As a result the Reserve Bank of Australia (RBA) has now moved to tighten monetary policy which is a positive sign that the risk of serious economic contraction in Australia has passed.

The September quarter also saw a positive uplift in the value of five of VPEG's underlying investments with the remainder of the underlying portfolio company values remaining as they were as at 30 June 2009.

Two underlying investments experiencing an uplift in valuation reached their one year anniversary of Private Equity ownership during the quarter, which enabled them to be re-valued in accordance with AVCAL guidelines. These two investments increased in value by 22% and 16% during the year, with the majority of the valuation movement attributable to an improvement in their financial performance since investment.

A further three investments underwent revaluation as the PE manager responsible for those investments turned to quarterly revaluations of their portfolio, as approved by their advisory committee (consisting of investor representatives). As a result the average increase in the holding value of those investments was 9.8% across the quarter, with the enhancement in value coming from a combination of earnings improvement and an uplift in comparable listed market multiples.

Turning to deal flow, VPEG's underlying managers report that, during the September quarter, the quality and volume of investment grade opportunities continued to improve beyond that registered during the June Quarter. This was evidenced by the fact that two new and two "bolt on" investments were completed or announced during the quarter by VPEG's underlying managers, compared with only one new investment announced the previous quarter. This demonstrates that the significant investment of resources that VPEG's underlying managers have made toward the development of proprietary opportunities across the past year has started to reap rewards.

Finally, given the lower level of debt required for transactions undertaken by VPEG's underlying managers, on both a quantum and EBITDA multiple basis, VPEG's underlying managers remain well positioned to obtain debt funding for new transactions as deal flow continues to improve. In Summary, as economic conditions continue to stabilise VPEG's underlying portfolio of investments will continue to grow by number and value through to 2010 with the likelihood of exits from the portfolio also improving.

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