

Vantage Private Equity Growth Limited

Quarterly Investor Report — Quarter Ending 31 December 2007



Special points of interest:

- VPEG commits \$8m to Catalyst Buyout Fund No. 2
- VPEG's Underlying Funds Now Hold 11 Investments
- VPEG's Private Equity Investment Rate Ahead of Forecast
- Australian Private Equity Remains Robust Despite the Continuing Global Credit Crunch

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SUMMARY

Background

Vantage Private Equity Growth Limited (VPEG) is a multi manager Private Equity investment company initially 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 will be 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 and, to provide additional geographic diversification, will seek to commit a maximum of 30% of its Private Equity Allocation to European based Private Equity funds also focussed on investing in the Later Expansion and Buyout stages of Private Equity.

VPEG has commenced building its investment portfolio and has to date committed \$36m across six private equity funds.

As at 31 December 2007, commitments made by VPEG include, \$8m to each of Archer Capital Fund 4, Catalyst Buyout Fund 2 and Quadrant Private Equity No. 2 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 October 2007 to 31 December 2007 once again saw the continued growth in both VPEG's portfolio of private equity commitments and underlying investments.

Significant developments for VPEG during the December quarter included the \$8m commitment made to Catalyst Buyout Fund No. 2, the fifth Private Equity fund to be managed by the current team at Catalyst. Furthermore three new investments were completed by VPEG's underlying funds during the quarter.

The table to the right provides a summary of the performance of VPEG's portfolio during the Quarter. VPEG's post tax NAV per share increased from \$0.990 at 30 September 2007 to \$0.991 as at 31 December 2007.

The increase in VPEG's NAV per share, during the quarter, was less than past quarters due to the payment of a dividend of 1c / share, paid out of VPEG's FY07 net profits to shareholders of the company who were shareholders as at 30 June 2007.

The total dividend amount (\$281,660) was paid on the 12th November 2007, resulting in a drop in VPEG's NAV per share from 0.994 as at 31 October 2007 to 0.986 at 30 November 2007.

The NAV per share rebounded in December 2007 to 0.991 with gains from VPEG's Enhanced Yield Investments as well as revaluations upward across three underlying portfolio companies offsetting the company's management and administration costs for the month.

Month Ending	VPEG NAV per Ordinary Share*
31-Dec-07	0.991
30-Nov-07	0.986
31-Oct-07	0.994
30-Sep-07	0.990

*Net Asset Value (NAV) per share post tax

Key Portfolio Developments

The December 2007 quarter once again saw a continued rise in the level of private equity investments in VPEG's portfolio.

This increased exposure to private equity investments resulted from draw downs, during the quarter by Advent V, Crescent Capital Partners III, Equity Partners 3 and Quadrant Private Equity No. 2, totaling \$1,397,164.

Draw downs from VPEG during the quarter went toward funding one previously reported investment, UGM Mining Solutions by Advent V and two new investments, Billy Hyde Music Group and Skins. One further investment was completed by Quadrant Private Equity No. 2 during December 2007 although the draw down for this investment did not occur until early January 2008.

Advent V's draw down from VPEG in early October was to fund the purchase of approximately 35% of **UGM Mining Solutions**, an overview of which was reported in VPEG's September 2007 quarterly report.

Crescent Capital Partners III draw down from VPEG in early November was to fund the management buyout of **Billy Hyde Music Group**, which was completed in late October.

Equity Partners' 3 draw down from VPEG in December 2007 was to fund their first investment, being the acquisition of 22% of Skins Consolidated Pty Ltd (**Skins**), with the transaction completed on the 17th December 2007.

Quadrant Private Equity No. 2 also commenced a new investment during the December quarter with the purchase of Christie's Beach Hotel in South Australia being the first of nine hotels contracted to be purchased by QPE2, all to be held within an entity called **Independent Pub Group**. Funding for the first hotel acquisition was drawn down from QPE2's investee's including VPEG, in early January 2008.

“Draw downs from VPEG during the quarter went toward funding three investments . One further investment, Independent Pub Group, was commenced by Quadrant Private Equity No. 2 ”

Overview of New Underlying Investments

Billy Hyde Music Group

In October 2007 **Crescent Capital Partners III** completed the management buy out of Billy Hyde Music Group in partnership with senior management who co-invested alongside Crescent. Billy Hyde (www.billyhydemusic.com.au) is the largest wholesaler and retailer of musical instruments (including orchestral) and accessories in Australia.



Billy Hyde's wholesale business represents a wide range of suppliers of musical instruments, often under exclusive arrangements and supplies both Billy Hyde and third party retail stores. Examples of the products represented include Pearl Drums, D'Addario instrument strings and Korg electrical instruments.

Billy Hyde's retail business is comprised of 26 stores nationally. Crescent Capital Partners III initially invested approximately \$46m to fund the acquisition, with further amounts to be invested over time to fund an acceleration of the growth of Billy Hyde's retail and wholesale businesses.

Skins

On the 17th December 2007 **Equity Partners No. 3** acquired 22% of Skins Consolidated Pty Ltd (Skins).



Skins is a leading designer and marketer of a range of sports apparel in the rapidly growing compression products market. The Skins brand is recognised in Australia as the premium product in the compression category, providing improved performance and recovery for sports participants of all levels.

The 'active' sports apparel market is the fastest growing segment of the sports goods market globally and demand for compression products is expected to continue to grow strongly.

The Skins business has grown rapidly over the last 5 years to become the dominant player in the Australian market, and has established initial global infrastructure over the last 18 months to accelerate its offshore expansion program.

The investment by Equity Partners provides expansion funding to facilitate the continued development of the Skins international expansion plans.

Independent Pub Group

In late December 2007 **Quadrant Private Equity No. 2** completed a new investment, Independent Pub Group Pty Limited (IPG). At the same time, IPG purchased and settled one hotel, Christie's Beach Hotel in South Australia and contracted to purchase an additional eight hotels with settlement due for March 2008.

Independent Pub Group

The hotels that QPE2 contracted to buy include the Willow Hotel in Brisbane and seven hotels as part of the Munday portfolio being four hotels in Queensland and three in South Australia.

QPE2 have invested alongside a former senior executive of Club Hotels which was a successful investment of a previous fund of Quadrant Private Equity's, Quadrant Capital Fund No.3.

PORTFOLIO STRUCTURE

VPEG's Portfolio Structure – 31 December 2007

The tables and charts below provide information on the breakdown of VPEG's investments as at 31 December 2007.

Current Investment Portfolio Allocation*

The table below provides the split of VPEG's current investment portfolio across cash and other fixed interest securities, enhanced yield investments 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 and Other Fixed Interest	Enhanced Yield Investments	Private Equity (Drawn Down)	
		Later Expansion	Buyout
8.3%	77.7%	3.5%	10.5%

*As a percentage of VPEG's Investment Portfolio (or Gross Assets). As at 31 December 2007 VPEG's Gross Assets were \$ 32.75 million (unaudited) pre tax.

As VPEG continues to build its Private Equity portfolio, it's holding in Enhanced Yield Investments managed by AMP Capital Investors will continue to be reduced. The new commitment made by VPEG this quarter to Catalyst Buyout Fund No. 2 as well as the continued strong deal flow available to small to mid market focussed Private Equity funds in Australia should see the continued increase in level of investment by VPEG's underlying funds, with a subsequent increase in drawn down Private Equity and the corresponding reduction in VPEG's Enhanced Yield Investments over time.

Private Equity Portfolio

VPEG has now made commitments to six underlying Private Equity funds and ultimately holds interests in eleven underlying company investments. VPEG's Private Equity portfolio and commitments, as at 31 December 2007, are 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	\$0.92m	4
Archer Capital Fund 4	\$1,360m	2007	Mid Market Buyout	\$8.0m	\$0.92m	3
Catalyst Buyout Fund 2	\$800m*	2008	Mid Market Buyout	\$8.0m	\$0.00m	0
Crescent Capital Partners III	\$400m	2006	Small to Mid Market Expansion / Buyout	\$4.0m	\$0.76m	2
Equity Partners Fund No. 3	\$175m*	2007	Small Market Expansion / Buyout	\$4.0m	\$0.64m	1
Quadrant Private Equity No. 2	\$500m	2007	Mid Market Expansion / Buyout	\$8.0m	\$1.64m	1

* Target Fund size

"VPEG has now made commitments to six underlying Private Equity funds and ultimately holds interests in eleven 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 down from VPEG, as at 31 December 2007.

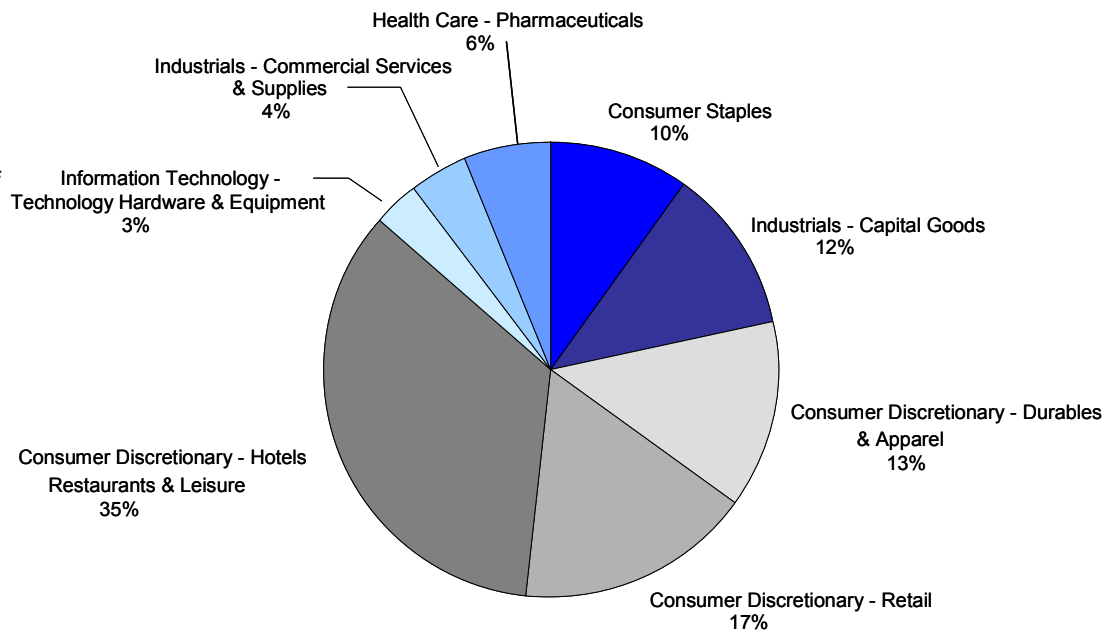
VPEG's single largest exposure is to Quadrant Private Equity No. 2 investee, Quick Service Restaurants, accounting for approximately 4.9% of VPEG's pre tax NAV.

Rank	Investment	Description	% of VPEG NAV*	Cumulative % of VPEG NAV*
1	Quick Service Restaurants	Chicken Fast Food Retailing	4.9%	4.9%
2	Skins	Compression Sports Apparel Designer / Marketer	1.9%	6.7%
3	Billy Hyde Music Group	Music Equipment Wholesale / Retail	1.4%	8.2%
4	Locker Group	Metal Products Manufacturer	1.0%	9.2%
5	Amart All Sports / Rebel Sport	Sporting Goods Retailer	0.9%	10.1%
6	Cellarmasters Group	Wine Production, Sales and Bottling services businesses	0.8%	10.9%
7	Inova Pharmaceuticals	Pharmaceuticals Manufacturer and Distributor	0.8%	11.7%
8	Steel-Line Garage Doors	Manufacturer and Distributor of Garage Doors and Associated Accessories	0.6%	12.4%
9	Solomon Food Group	Wholesale food distribution	0.6%	12.9%
10	UGM Mining Solutions	Contract Mining Services	0.6%	13.5%

*As at 31 December 2007 (unaudited) calculated on VPEG's pre tax NAV.

Industry Spread of VPEG's Underlying Investments

The chart to the left illustrates that VPEG's Private Equity investment portfolio continues to be diversified across a wide range of industry sectors.



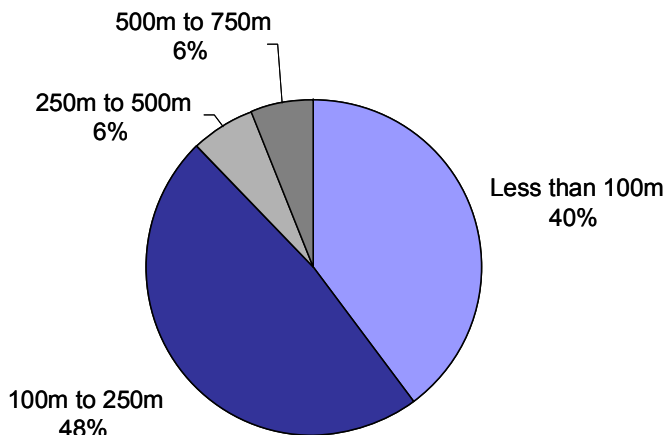
PORTFOLIO STRUCTURE – continued

Range of Enterprise Value at Investment of VPEG’s Underlying Investments

The chart to the right provides a breakdown of VPEG’s underlying Private Equity investments by the range in Enterprise Value (EV) at initial investment, by the relevant underlying fund.

As demonstrated, the majority (48%) of underlying investments have been made into companies of enterprise value between \$100 million to \$250 million at initial investment.

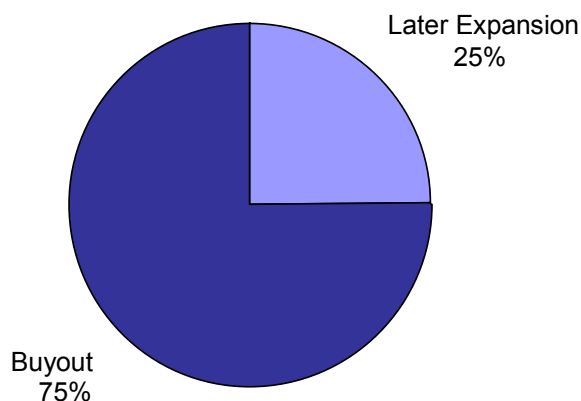
Furthermore the three new Private Equity investments for which funds were drawn down from VPEG during the quarter, each had an EV at investment of less than \$100m. This increased the overall portion of VPEG’s underlying investments in the “less than \$100m” range from 16% at 30 September 2007 to 40% at 31 December 2007.



Investment Stage of VPEG’s Underlying Investments

Of the eleven underlying Private Equity investments made by VPEG’s underlying funds, for which capital has been drawn down from VPEG, the majority (75%) of the investments by value, made to date, have been at the buyout financing stage.

The overall proportion of VPEG’s underlying investments, conducted at the later expansion stage, increased from 9% as at 30 September 2007 to 25% at 31 December 2007. This was due to the fact that two of the new investments (Skins & UGM Mining Solutions) for which capital was drawn down from VPEG during the quarter, were Later Expansion in nature.



Investment Rate of VPEG’s Private Equity Portfolio

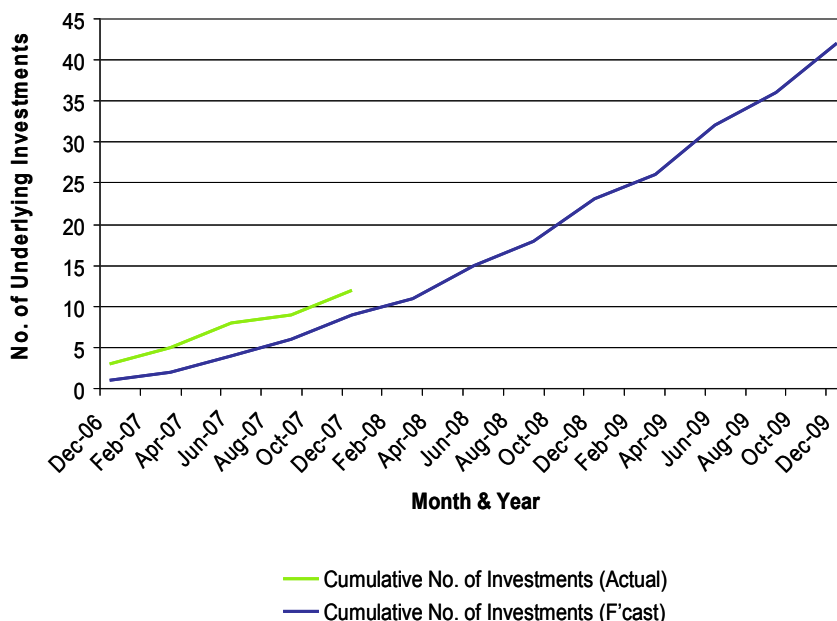
The graph to the right plots the actual total number of underlying Private Equity investments within VPEG’s investment portfolio, against the forecast rate of underlying investment growth, since commencement.

As demonstrated by the graph, the current rate of investment by VPEG’s underlying Private Equity funds (green line) is ahead of VPEG’s initial forecasts (blue line).

Furthermore, the rate of growth in the number of underlying investments within the portfolio will accelerate over time in line with the growth in the number Private Equity funds committed to by VPEG.

This will in turn accelerate the proportion of VPEG capital drawn down into private equity investments into the future, thereby continuing to increase VPEG’s Private Equity exposure over time.

Forecast vs Actual Ultimate No. of Underlying Investments Over Time



OTHER DEVELOPMENTS

VPEG Commits \$8m to Catalyst Buyout Fund 2

In November 2007, VPEG completed its sixth Private Equity fund investment with a **commitment of \$8m to Catalyst Buyout Fund 2 (CBF2)**, managed by Sydney based **Catalyst Investment Managers Pty Limited**

Catalyst Investment Managers (www.catalystinvest.com.au) established in 1989 are one of the most experienced private equity firms in the Australasian market having completed 32 management buyouts (MBO's) in Australia and New Zealand, with a combined enterprise value of almost A\$3 billion.

Catalyst has developed significant experience in investing in a wide range of industries in Australia and New Zealand including retail, services, building products, packaging and other industrial sectors. Furthermore Catalyst's current team have delivered top quartile returns across all of the previous Catalyst funds in which they have been involved.

Well known examples of Catalyst's previous MBO's, include; Pacific Brands, acquired from Pacific Dunlop in 2001 for A\$730 million, and subsequently listed on the ASX for A\$1.725 billion in 2004 and Just Group, acquired from public shareholders in 2001 for A\$125 million, and subsequently re-listed on the ASX for A\$573 million in 2004.

CBF2 (which is the current team's fifth fund), has a target size of \$800m and will focus on investing into mid-market buyout opportunities of profitable, Australian & New Zealand businesses, with enterprise value of between \$100 million and \$500 million at investment.

Catalyst plan to complete their first investment for CBF2 early in calendar year 2008.

Performance of AMP Capital Enhanced Yield Fund

The Enhanced Yield Fund (EYF) produced a return of 1.52% (on a before tax, after fees basis) for the 3 months ending 31 December 2007, which was slightly below the cash rate of 1.64% for the quarter. The EYF's return for the 12 months to 31 December 2007 was 7.89% (on a before tax, after fees basis), outperforming the cash rate of 6.39% by 1.50%.

Defensive positioning of the traded high yield portion of the EYF, combined with the diversification within the private debt portfolio, produced a steady annual return, notwithstanding more challenging market conditions across the past two quarters.

The private debt portion of the EYF finished the year with a strong result, with all investments continuing to cover their interest and principal payments as and when they fall due. During the quarter the Private Debt component of the EYF made four new investments, further adding to its diversification in terms of industry sectors and issuers.

Outlook

The traded high yield component of the fund is seeing a much larger opportunity set, but remains cautious and reasonably defensively placed. The fund is seeing opportunities higher up the capital structure and new issues are progressively being priced more appropriately and offering better investor protection.

On the private debt side of the EYF the AMP investment team continues to see a reasonably buoyant private debt market, particularly here in Australia, where small to medium size deals appear to be going ahead despite the cool down in credit markets globally.

As a result of the ongoing volatility in global equity and debt markets, VPEG will continue to closely monitor and review the performance of its Enhanced Yield Investments as well as hold all new capital inflows in cash, across the short term, until market volatility reduces. As a result the "cash and other fixed interest" component of VPEG's investment portfolio increased from 5.1% at 30 September 2007 to 8.3% at 31 December 2007.

"The EYF's return for the 12 months to 31 December 2007 was 7.89% (on a before tax, after fees basis), outperforming the cash rate of 6.39% by 1.50%."

GENERAL MARKET DEVELOPMENTS

Australian Private Equity Remains Robust Despite Global Credit Crunch

In the last six months of 2007, as global markets were gripped by a credit liquidity crises and the media were writing eulogies for the local private equity market, more deals were completed in Australia by private equity funds, than were completed in the first half of 2007.

According to Dealogic, the second half of 2007 saw 38 private equity deals completed in Australia, worth a combined \$3.3 billion, which was up on the first half total of 36 deals, worth a combined \$2.4 billion. The results demonstrate that despite the turmoil in global credit markets that commenced in July 2007, the local private equity market remains somewhat immune to the challenges facing the US and European private equity markets.

One of the reasons for the resilience of the Australian private equity market is that, as discussed in previous VPEG quarterly reports, the majority of local deals are "small to mid market" in size and are supported by domestic banks, who largely have not been affected by the sub prime write-downs that have impacted the ability of US & European banks to provide debt for global private equity transactions.

Furthermore as both local and global Merger & Acquisition (M&A) activity increased substantially in 2007 compared with 2006, private equity deals in Australia accounted for only 6% of overall Australian M&A activity in 2007, down from 12% in 2006.

By contrast global private equity activity, dominated by US and European transactions, reached a record \$US803.8 billion in 2007 an increase of 10% on 2006 levels. Furthermore the pace of global private equity activity, in mostly the first half of 2007, remained in line with the growth of global M&A activity, with private equity deals accounting for 17% of global M&A activity in 2007, a slight drop on the 18.6% it represented in 2006.

As the Australian private equity market did not grow to the excesses of the global market prior to the "sub prime" crisis, it has not suffered from the steep drop in private equity activity that has since impacted the US and European private equity markets.

With its focus on investing in predominately Australian private equity funds who in turn focus on small to mid market transactions, VPEG remains well positioned to continue the positive growth in its private equity portfolio during these uncertain times.

"...despite the turmoil in global credit markets that commenced in July 2007, the local Private Equity market remains somewhat immune to the challenges facing the US and European Private Equity markets"

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