

Vantage Private Equity Growth Limited

Quarterly Investor Report — Quarter Ending 31 December 2011



Special points of interest:

- VPEG delivers 11.2% Total Shareholder Return Across 2011, Outperforming Listed Markets by 25.7%
- Archer sells Rebel Group & iNova Pharmaceuticals Each Delivering More Than 2.5 X Return on Initial Investment
- Catalyst Buyout Fund 2 Buys Into Remote Facilities Management Business, Morris Corporation
- Next Capital II Invests In Glue Stores to Create Next Athleisure.

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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 has invested 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 29 underlying companies.

As at 31 December 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 October 2011 to 31 December 2011 saw continued activity within VPEG's private equity investment portfolio.

During the period two new and four follow on private equity investments were added to the portfolio. In addition two exits & one partial exit from the portfolio were completed. As a result the total number of investments currently held within the underlying private equity portfolio reduced to twenty nine.

The table to the right provides a summary of the performance of VPEG's portfolio during the December 11 quarter. Taking into account the 8c / share distribution (partially franked) paid to investors during November **VPEG's total shareholder return during the quarter was 4.13%**

In fact the **total shareholder return delivered by VPEG across the entire 12 months of 2011 was 11.23%**. As a result VPEG outperformed listed markets across 2011 by more than 25%, including the S&P/ASX 200 index which dropped by 14.5%, from 4745 to 4057, as well as the S&P/ASX 200 Accumulation index which reduced by 10.5% (34519 to 30879) across the year. (Source; <http://www.rba.gov.au/statistics/tables/pdf/f07.pdf>)

Month Ending	VPEG NAV per Ordinary Share*
31-Dec-11	1.113
30-Nov-11	1.104**
31-Oct-11	1.161
30-Sep-11	1.160

*Net Asset Value (NAV) per share post tax

** 8c / Share Distribution Paid to Investors on 16 Nov 11

Key Portfolio Developments

During the period 1 October 2011 to 31 December 2011, significant activity within VPEG's portfolio of private equity investments saw the completion of two new investments and four follow on investments as well as the sale of two investments and the partial listing of one other investment.

Draw downs during the quarter were made by Archer Capital Fund 4, Catalyst Buyout Fund 2, Crescent Capital III, Equity Partners 3 and Next Capital II totaling \$1,991,439.

The majority of capital drawn from VPEG during the quarter contributed toward funding the new and follow on investments completed during the period.

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.

Also, \$1.524m in distributions were received during the quarter from Archer 4 & Quadrant Private Equity 2, representing VPEG's share of proceeds to date, from the sale of Archer's Rebel Group & iNova Pharmaceuticals as well as the partial sell down via IPO of Quadrant's Summerset Retirement Villages, all of which were completed during the period.

In addition, as reported last quarter, a further \$3.229m in distributions were paid to VPEG during October 2011, resulting from Archer's sale of MYOB which was announced during August 2011.

In November 2011, Next II purchased a majority interest in **Next Athleisure**, which is comprised of retailers Glue Store, Trend Imports and an interest in Topshop Australia.

In December 2011, Catalyst 2 completed the acquisition of **Morris Corporation**, a remote facilities management business servicing the remote resources, construction & defence sectors .

Also during the quarter, Archer 4 investee **Health Care**, purchased another hospital, Next II investee **Discovery Holiday Parks**, acquired further properties and Crescent III invested additional capital into investee's **Metro Glass & Steel-Line** to fund further expansion.

In addition during the quarter Archer 4 sold investee company, **Rebel Group** to ASX listed Super Retail Group. Archer also sold **iNova Pharmaceuticals** to Valeant Pharmaceuticals International Inc. of Canada. Finally, Quadrant sold down 30% of their holding in investee **Summerset Retirement Villages** by way of a listing on the NZ Stock Exchange

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

Overview of New Investments

Next Athleisure

On 23 November 2011, **Next Capital II** acquired a majority interest in Next Athleisure which is comprised of Glue Store (a leading street wear retailer), Trend Imports (an apparel wholesaler) and Topshop (an interest in the company with the franchise rights to operate the Topshop business in Australia).

Glue is a youth-oriented retail apparel businesses operating 32 branded stores across Australia and a rapidly growing web business. The stores are primarily located in metropolitan areas of NSW, ACT and VIC, retailing a portfolio of international and domestic third party brands, Glue-exclusive international brands and a number of owned domestic brands.

Trend Imports is an apparel wholesaling business which wholesales the Henleys, Le Coq Sportif, Cappellini and Gas menswear brands and the Nude Lucy, Lulu & Rose and Henleys womenswear brands.

Topshop (Top Australia) holds the licence to operate the Topshop and Topman brands in Australia. Topshop is a highly successful, youth-oriented high-street fashion brand which has successfully grown from a base in the United Kingdom to operate in excess of 400 owned and franchised stores around the world. The first Topshop store in Australia opened in Melbourne in early December 2011 with more stores planned to be open in Australia in the future.

Morris Corporation

During December 2012 **Catalyst Buyout Fund 2** reached agreement to acquire a significant shareholding in Morris Corporation, one of the largest providers of remote facilities management and accommodation services to the resources and construction sectors in Australia.

The business first commenced operations in 1966 and now provides comprehensive facilities management services in remote regions to customers in the construction, mining and oil & gas sectors. Morris also owns and operates a number of remote accommodation camps which cater for fly-in fly-out (FIFO) workers.

Morris supports a number of key projects throughout Queensland and Western Australia, New South Wales, Northern Territory and within international war zones. Morris Corporation's industry experience, nationally and internationally, demonstrates an ability to execute a diverse range of service contracts.

Morris also provides its clients with a range of fully integrated industrial hospitality services including: catering, cleaning, accommodation and facilities management.



TOPSHOP



Overview of Recent Exits

Rebel Group.

Archer Capital, completed the acquisition of Rebel Sport during March 2007 which, when combined with the earlier Archer led management buyout of leading Queensland sporting goods retailer, Amart All Sports, created the largest sporting goods retailer in Australia.

Archer's focus over the subsequent four years of ownership was for further network growth and operational improvement to enhance profitability of the group prior to an exit.

In October 2011 the Rebel Group was sold by Archer Capital to ASX listed Super Retail Group for \$610 million, delivering a strong return to investors in the relevant Archer funds, including VPEG.

At the time of the sale, the Rebel Group consisted of 90 Rebel Sport stores, 36 A-Mart All Sports stores, and two Performance Sports stores. Rebel generated \$603 million of revenue in the 2011 financial year.

iNova Pharmaceuticals.

In December 2006, **Archer Capital** co-led a \$450m+ acquisition of iNova Pharmaceuticals (formerly 3M Pharmaceuticals in Asia Pacific and Africa). iNova creates and delivers innovative pharmaceutical products, which improve the lives of patients by meeting their specific needs. The company develops and supplies a range of prescription and over the counter medicines including drugs to treat skin cancer, heart conditions, weight loss, asthma, coughs, sore throats and sports injuries.

iNova has manufacturing and laboratory facilities in Thornleigh, Australia, and distributes its products to South Africa and throughout the Asia-Pacific region including Australia, New Zealand, Malaysia, the Philippines, Thailand, Singapore, Japan, South Korea, China, Taiwan and Hong Kong.

In December 2011 iNova Pharmaceuticals was sold by Archer Capital to Canadian based Valeant Pharmaceuticals International Inc, a multinational specialty pharmaceutical company.

Valeant paid A\$625 million as an upfront payment to iNova shareholders, including Archer Funds 3 & 4, who will also be entitled to receive potential milestone payments of an additional A\$75 million over time, depending on pipeline success.

Summerset Retirement Villages

Across the 12 month period commencing April 2009, **Quadrant Private Equity No. 2** acquired a significant interest in Summerset Retirement Villages, one of the leading operators of retirement villages and providers of aged care services in New Zealand.

On **1 November 2011**, Quadrant completed a successful IPO of Summerset which was the largest IPO on the New Zealand Stock Exchange of the past four years, delivering strong returns to Quadrant investors, including VPEG, despite challenging market conditions.

Quadrant has retained a 55% holding in Summerset as it continues its growth strategy of village expansion across New Zealand.



PORTFOLIO STRUCTURE

VPEG's Portfolio Structure – 31 December 2011

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

The 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	
2.6%	32.1%	Later Expansion	17.2%
		Buyout	48.0%

*As a percentage of VPEG's Investment Portfolio (or Gross Assets). As at 31 December 2011 VPEG's Gross Assets were \$ 40.17 million (unaudited) pre tax.

During the December 11 Quarter VPEG's exposure to private equity investments reduced from 67.37% to 65.25% with the cash and fixed interest component of the investment portfolio growing from 32.6% to 34.7%. The reduction in Private Equity exposure was due to the sale of Rebel and iNova and the IPO of Summerset during the quarter which increased VPEG's cash & fixed interest investments by \$1.5m.

Private Equity Portfolio

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

Private Equity Fund Name	Fund Size	Vintage Year	Investment Focus	VPEG Commitment	Capital Drawn Down	Total No. of Investee Companies	No. of Exits
Advent V	\$300m	2006	Small to Mid Market Expansion / Buyout	\$4.0m	\$3.44m	8	2
Archer Capital Fund 4	\$1,360m	2007	Mid Market Buyout	\$8.0m	\$7.12m	10	4
Catalyst Buyout Fund 2	\$438m	2008	Mid Market Buyout	\$8.0m	\$4.00m	3	0
Crescent Capital Partners III	\$400m	2006	Small to Mid Market Expansion / Buyout	\$4.0m	\$3.85m	6	2
Equity Partners Fund No. 3	\$76m	2007	Small Market Expansion / Buyout	\$4.0m	\$1.57m	3	0
Next Capital II	\$285m	2008	Small to Mid Market Expansion / Buyout	\$7.0m	\$3.22m	4	0
Quadrant Private Equity No. 2	\$500m	2007	Mid Market Expansion / Buyout	\$8.0m	\$6.90m	5	2

"VPEG currently holds interests in twenty nine 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 December 2011.

As a result of the partial sale, via IPO, of Summerset, its portion of VPEG's PE portfolio reduced from 4.5% to 3.1%. Actrol, however, remains VPEG's largest Private Equity Investment exposure.

Rank	Investment	Fund	Description	% of VPEG NAV*	Cumulative % of VPEG NAV*
1	Actrol	Catalyst Buyout Fund 2	Distributor of Refrigeration & Air-conditioning Parts & Equipment	5.4%	5.4%
2	Cover More	Crescent Capital Partners III	Provider of Travel Insurance & Emergency Care Services	4.8%	10.1%
3	Virtus Health	Quadrant Private Equity No. 2	Owner Operator of Fertility Clinics in NSW & Victoria	4.1%	14.2%
4	Genesis Care	Advent V	National Network of Cardiology & Radiation Oncology Practices	3.6%	17.8%
5	Independent Pub Group	Quadrant Private Equity No. 2	Owner of Gaming Hotels in Qld, SA & NSW	3.4%	21.1%
6	Summerset Retirement Villages	Quadrant Private Equity No. 2	Owner & Operator of Retirement Villages in NZ	3.1%	24.2%
7	Integrated Packaging Group	Advent V	Manufacturer & Distributor of Packaging Products	2.8%	27.0%
8	Quick Service Restaurants Holdings	Archer Capital Fund 4	Chicken Fast Food Retailing	2.7%	29.7%
9	Home & Decor Holdings (Adairs & Dusk)	Catalyst Buyout Fund 2	Specialty Retail - Homewares	2.6%	32.2%
10	Onsite Rentals	Next Capital II	Commercial Rental of Portable Buildings, Toilets & Access Equipment	2.6%	34.9%

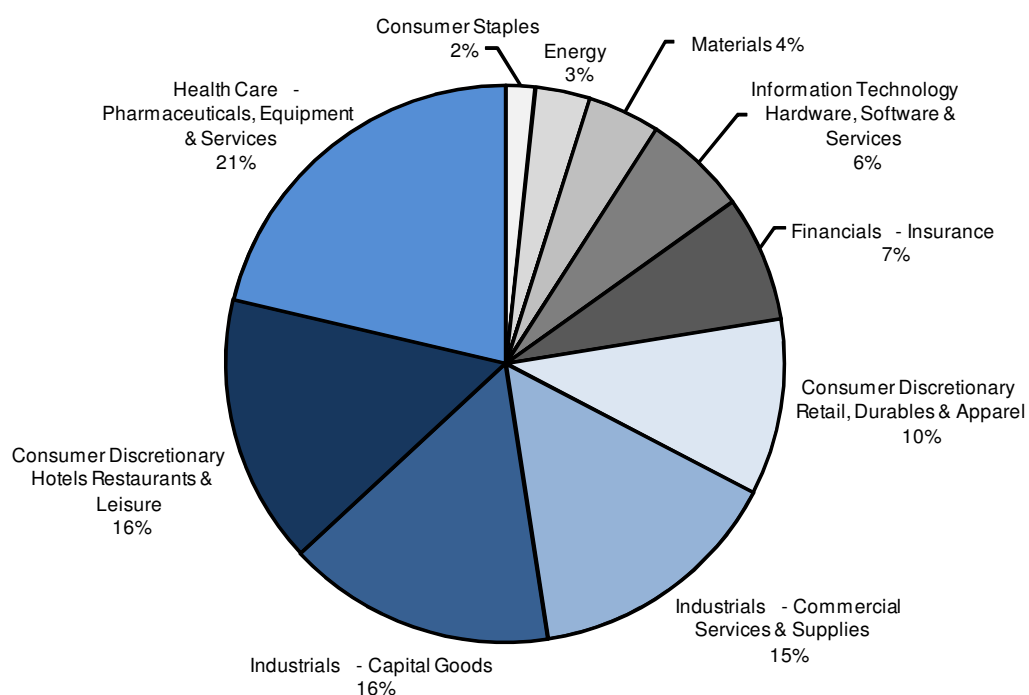
*As at 31 December 2011 (unaudited) calculated on VPEG's pre tax NAV

Industry Spread of VPEG's Underlying Investments

With the sale of iNova by Archer 4, the "Health Care" sector exposure reduced from 26% to 21% of VPEG's total private equity portfolio.

The addition of Morris corporation during the quarter increased VPEG's exposure to the "Industrials - Commercial Services & Supplies" sector from 13% to 15%.

Due to the fact that the sale of Rebel Group was balanced out by the addition of Next Athleisure to the portfolio, the "Consumer Discretionary—Retail..." sector remained at 10% of VPEG's total Private Equity Exposure.



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