

Vantage Private Equity Growth Limited

Quarterly Investor Report — Quarter Ending 31 December 2013

< Diversify
< Grow
< Outperform

Special points of interest:

- Crescent Capital Partners III exits Cover-More via a \$521.2m IPO & listing on the ASX during December 2013.
- Catalyst Buyout Fund 2, announces the sale of Actrol to Reece for \$280m.
- VPEG Continues to outperform listed markets globally.
- 55.3% in total shareholder value enhancement created by VPEG since inception to 31 December 2013.

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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's investment portfolio continues to expand and with total commitments of \$43m across seven private equity funds, it currently holds interests in 31 underlying companies.

As at 31 December 2013, VPEG's investment commitments included, \$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 September 2013 to 31 December 2013 again saw continued activity within VPEG's private equity investment portfolio.

During the period two underlying investments were exited, with another exit announced. Of the completed exits, one was completed in October and the other during December. The announced exit was completed post quarter end.

As a result the total number of investments held within VPEG's underlying private equity portfolio at quarter end, reduced to thirty one.

The table to the right provides a summary of the performance of VPEG's portfolio during the December 2013 quarter. As demonstrated VPEG's NAV decreased from 1.080 to 1.024 per share.

The decrease in VPEG's NAV during the period of 5.6c / share, predominantly resulted from the payment of 14.9c / share in distributions to VPEG shareholders during November & December. However an increase in the holding value of VPEG's underlying investments by 9.3c / share, compared to their holding value at the end of the previous quarter, offset the majority of the distribution payment.

Month Ending	VPEG NAV per Ordinary Share*
31-Dec-13	1.024
30-Nov-13	1.022
31-Oct-13	1.082
30-Sep-13	1.080

*Net Asset Value (NAV) per share post tax

Key Portfolio Developments

During the period 1 September 2013 to 31 December 2013, continued activity within VPEG's portfolio of private equity investments, saw two investments exited with a further exit announced, which was completed in January 2014.

Only one draw down was made during the quarter by Quadrant Private Equity No. 2 (QPE2) for fund expenses, totaling \$12,116

As a result no new of follow on investments were made during the quarter

However a total of \$4,412,093 in distributions were received by VPEG during the quarter from Archer Capital Fund 4, Crescent Capital Partners III (CCP III), Next Capital II & QPE2.

During October 2013, QPE2 sold the remaining shares it held in **Summerset Retirement Villages**, which it had partially exited via a listing on the New Zealand Stock Exchange in November 2011. The resulting distribution from this exit was received by VPEG in late October 2013.

During December 2013, CCP III sold the majority of their investment in portfolio company **Cover-More** following the company's \$521.2 million initial public offering (IPO) and subsequent listing on the Australian Stock Exchange. The Cover-More exit proceeds were received by VPEG in late December 2013.

Also during December 2013, QPE2 investee, **Independent Pub Group** sold the Exchange Hotel in Brisbane to the Australian Pub Fund with sale proceeds received by VPEG also in December. The sale leaves 18 hotels remaining in IPG's pub portfolio.

Other distributions received during the quarter from Archer 4 & Next II resulted from recent dividends and interest paid by their underlying portfolio companies.

Finally During December 2013, Catalyst Buyout Fund 2 announced that a binding agreement had been reached for the sale of 100% of the shares in **Actrol** to listed plumbing group Reece, for \$280 Million. The sale was completed in late January 2014 with VPEG's share of the proceeds of the sale received in early February 2014.

With 17 exits completed (not including Actrol) 31 underlying private equity company investments remained within the portfolio at 31 December 2013.

“With two investments exited from VPEG's portfolio during the quarter, 31 underlying company investments remained in VPEG's portfolio at quarter end .”

Overview of Recent Exits

Summerset Retirement Villages

In April 2009, **Quadrant Private Equity No. 2** acquired a 50% equity interest in Summerset Retirement Villages (www.summerset.co.nz) from AMP Capital Investors (NZ). In April 2010 Quadrant acquired the remaining 45% of Summerset from AMP who in turn totally exited their holding in the company.



Summerset is one of New Zealand's leading operators of retirement villages and providers of aged care services. Comprising ten operating villages and six villages under development, Quadrant's original investment in Summerset provided exposure to one of New Zealand's leading retirement village operators and an industry experiencing rapid growth.

Summerset was founded in 1994 to provide mature New Zealanders with a high quality lifestyle in a safe, secure and enjoyable environment at an affordable cost. Summerset provides village lifestyle options and care facilities to more than 1450 people serviced by a staff of more than 360.

On the 1st of November 2011, Quadrant completed a successful Initial Public Offering of Summerset Retirement Villages. Summerset was the largest IPO on the New Zealand Stock Exchange in the past four years and delivered strong returns to Quadrant investors despite challenging market conditions.

Quadrant initially retained a 55% holding in Summerset at IPO with the remaining shares sold down over time until the stake was completely exited during October 2013. The exit delivered a strong return to QPE2 investors including VPEG.

Cover-More.

In September 2009, **Crescent Capital Partners III** acquired an approximate 80% equity interest in the Cover-More Group. Following Crescent's investment, Cover-More made bolt-on acquisitions in China and India, and expanded into Southeast Asia.



Founded in 1986, Cover-More provides travel insurance to more than 2.2 million travellers each year and manages more than 40,000 overseas emergency medical assistance cases. Cover-More has an approximate 40% market share in the Australian travel insurance market.

Cover-More's employee assistance business, Davidson Trahaire Corpsych, serves more than 700 organisations, including seven of the 10 largest companies in Australia by revenue.

In FY2013, Cover-More had net revenue of \$196.2m and a net profit after tax of \$16.6m.

In December 2013 Crescent sold the majority of their investment in Cover-More following the company's \$521.2 million initial public offering (IPO) and subsequent listing on the Australian Stock Exchange. The IPO was priced at 23.1 times forecast 2014 pro forma net profit.

Crescent Capital Partners III, sold the bulk of their shares into the IPO, reducing their equity holding in Cover-More from 82.7% pre IPO to 13% after the IPO. It is envisaged that the remaining shares held by Crescent will likely be sold down over time following voluntary escrow. The exit delivered another strong return to VPEG.

Overview of Recent Exits (continued)

Actrol.

In March 2010, Catalyst Buyout Fund 2 acquired the Actrol Parts business from GSA Group. At the time of acquisition, Actrol was the second largest wholesaler and distributor of equipment, gas and parts to the refrigeration and air-conditioning market in Australia. It had been in operation for over 70 years and grew primarily through the acquisition of a number of smaller, independent, regional players.

In December 2010 Actrol Parts acquired AC Components, the market leading Victorian distributor of heating, ventilation and air-conditioning (HVAC) components and units. Combined with Actrol Parts, the business became the leading HVAC and refrigeration wholesaler in Australia.

Actrol has a national presence with 79 branches across Australia, five distribution centres and a gas plant, with its primary customers being refrigeration and air-conditioning contractors.

Actrol's revenue improved significantly under Catalyst's ownership, with sales posted for the 2013 fiscal year of \$240 million, up from about \$110 million when Catalyst bought the business

In December 2013 Catalyst announced that a binding agreement had been reached for the sale of 100% of the shares in Actrol to listed plumbing group Reece, for \$280 million. The sale was completed in late January 2014 with the net proceeds of the sale distributed to Catalyst Buyout Fund 2 investors including VPEG soon after, delivering a strong return to VPEG over its original investment.



PORTFOLIO STRUCTURE

VPEG's Portfolio Structure – 31 December 2013

The tables and charts below provide information on the breakdown of VPEG's investments as at 31 December 2013.

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	
		9.5%	16.2%
		Buyout	46.8%

*As a percentage of VPEG's Investment Portfolio (or Gross Assets). As at 31 December 2013 VPEG's Gross Assets were \$ 39.04 million pre tax.

During the December 13 Quarter VPEG's exposure to private equity investments increased from 71.9% to 74.3% with the cash and fixed interest component of the portfolio decreasing from 28.1% to 25.7%. The increase in Private Equity exposure and subsequent decrease in the cash and fixed interest component of the portfolio was predominately due to the increase in the holding value of Actrol during the quarter to its agreed sale price, as well as an improvement in holding values of several other investments across the private equity portfolio at quarter end.

Private Equity Portfolio

VPEG, with commitments to seven Private Equity funds, ultimately held interests in thirty one underlying company investments, at quarter end. VPEG's Private Equity portfolio and commitments, as at 31 December 2013, 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	\$3.75m	8	4
Archer Capital Fund 4	\$1,360m	2007	Mid Market Buyout	\$8.0m	\$7.12m	10	6
Catalyst Buyout Fund 2	\$438m	2008	Mid Market Buyout	\$8.0m	\$5.64m	6	0
Crescent Capital Partners III	\$400m	2006	Small to Mid Market Expansion / Buyout	\$4.0m	\$3.90m	6	3
Equity Partners Fund No. 3	\$76m	2007	Small Market Expansion / Buyout	\$4.0m	\$3.11m	6	1
Next Capital II	\$285m	2008	Small to Mid Market Expansion / Buyout	\$7.0m	\$5.76m	7	0
Quadrant Private Equity No. 2	\$500m	2007	Mid Market Expansion / Buyout	\$8.0m	\$7.03m	5	3
			Total	\$43.0m	\$36.32m	48	17

"At the end of the December quarter, VPEG ultimately held interests in thirty one 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 2013.

Rank	Investment	Fund	Description	% of VPEG NAV*	Cumulative % of VPEG NAV*
1	Actrol	Catalyst Buyout Fund 2	Distributor of Refrigeration & Air-conditioning Parts & Equipment	9.9%	9.9%
2	Sentia Media	Quadrant Private Equity No. 2	International Media Services Business	8.1%	17.9%
3	Aero Care	Next Capital II	Outsourced Airport Services	5.1%	23.0%
4	Discovery Holiday Parks	Next Capital II	Caravan & Cabin Park Owner & Operator	4.7%	27.6%
5	Home & Decor Holdings (Adairs & Dusk)	Catalyst Buyout Fund 2	Specialty Retail - Homewares	3.4%	31.1%
6	Health Care	Archer Capital Fund 4	Owner & Operator of Private Hospitals	3.4%	34.5%
7	Integrated Packaging Group	Advent V	Manufacturer & Distributor of Packaging Products	3.2%	37.6%
8	Onsite Rentals	Next Capital II	Commercial Rental of Portable Buildings, Toilets & Access Equipment	2.7%	40.3%
9	GoBus	Next Capital II	Urban and School Bus Operator	2.7%	43.0%
10	Scottish Pacific	Next Capital II	Provider of Debtor Finance Services	2.5%	45.5%

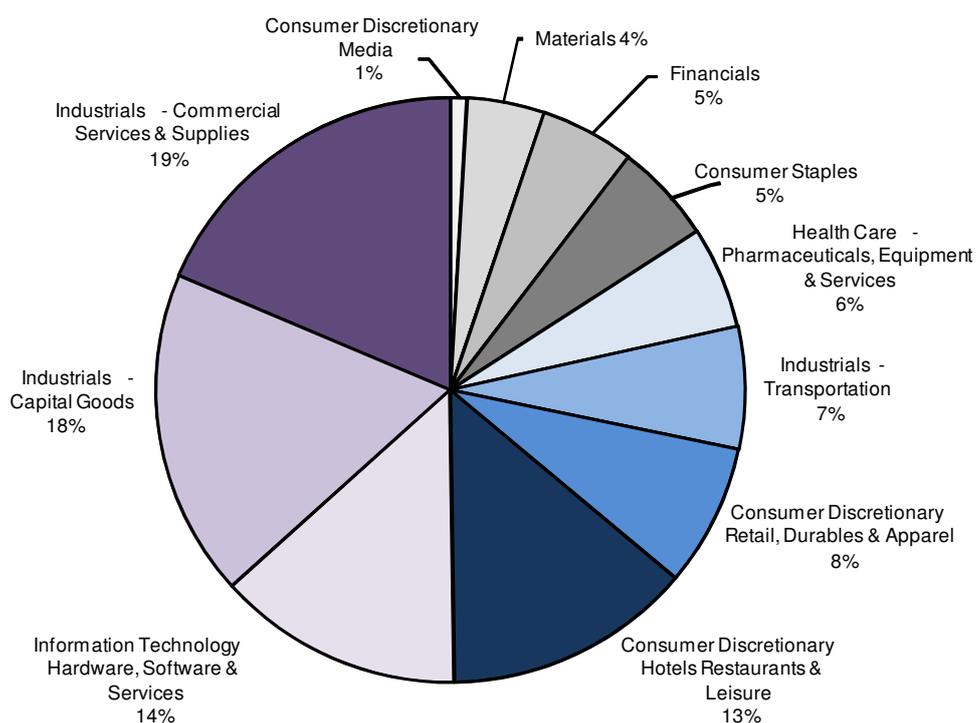
*As at 31 December 2013 (unaudited) calculated on VPEG's pre tax Net Asset Value (NAV).

Industry Spread of VPEG's Underlying Investments

With the exit of Cover-More during the quarter, the "Financials" sector exposure reduced from 11% to 5%.

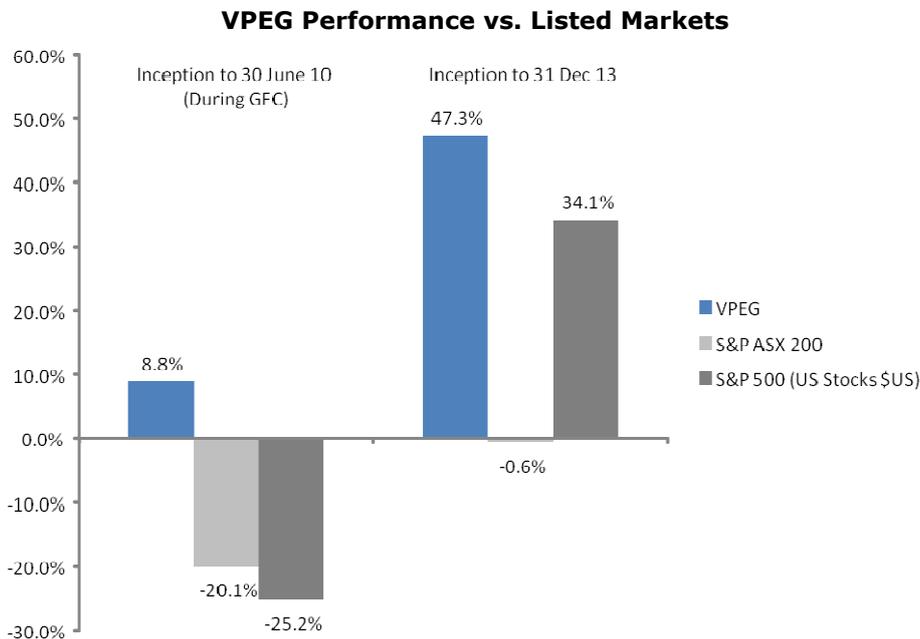
With the exit of Summerset completed during the quarter, the "Health Care" sector exposure reduced from 11% to 6%.

Finally with an agreement signed for the sale of Actrol and a subsequent lift in its valuation to the agreed sale price, VPEG's exposure to the "Industrials - Capital Goods" sector increased from 14% to 18%.



VPEG CONTINUES TO OUTPERFORM LISTED MARKETS

The chart below compares the performance of VPEG to listed markets both in Australia (S&P ASX 200 index) and in the U.S.A. (S&P 500 index).

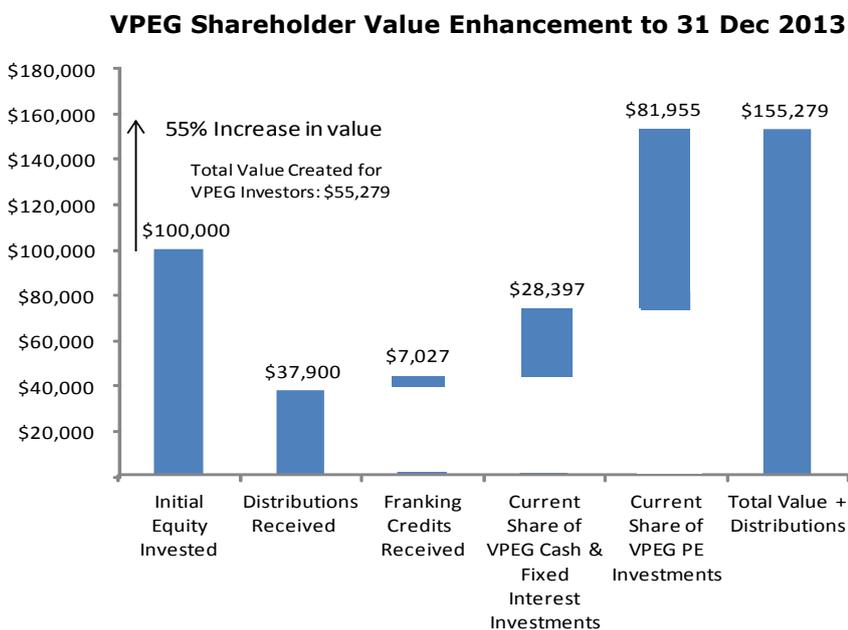


Note: VPEG inception date was 1 November 2006. Source: VPEG, ASX, S&P, Dow Jones Indices.

As demonstrated by this chart, VPEG not only performed better than listed markets during the GFC period, outperforming the S&P ASX 200 and the S&P 500 (U.S. stocks) by 29% and 34.0% respectively, but has also performed better than listed markets since inception to the present, 31 December 2013, outperforming the S&P ASX 200 and the S&P 500 by 47.9% and 13.2% respectively.

VPEG TOTAL SHAREHOLDER VALUE ENHANCEMENT TO DATE

The chart below demonstrates that for a typical VPEG shareholder investment of \$100,000 at inception, VPEG had created an increase in shareholder value of 55.3%, through to 31 December 2013. This equates to \$55,279 in additional value created for the typical VPEG shareholder over their total initial investment.



“VPEG has performed better than listed markets globally with a 47.9% outperformance over the S&P ASX 200 and a 13.2% outperformance over the S&P 500 (U.S. stocks) since inception to 31 December 2013”

“VPEG has to date created 55.3% in value enhancement for its shareholders. This equates to an additional \$55,279 in value above a typical \$100,000 invested in VPEG at inception”

VPEG TOTAL SHAREHOLDER VALUE ENHANCEMENT TO DATE (continued)

In total by December 2013, \$15.9m (\$44,927 per typical investor) had been distributed by VPEG to shareholders in the form of dividends and franking credits as well as return of capital.

At 31 December 2013, VPEG also held \$10.0m (\$28,397 per typical investor) in cash and fixed interest investments, which included distributions VPEG received during the last quarter of 2013 due to the exits of Cover-More from Crescent Capital Partners III and Summerset Retirement Villages from Quadrant Private Equity No. 2.

As a result a portion of the cash and fixed interest component of VPEG's investment portfolio will be distributed to VPEG investors during the first half of 2014. The remaining portion of these investments will be held to meet additional private equity calls, when follow on private equity investments are made, by the funds to which VPEG has existing commitments.

Finally, the existing portfolio of private equity investments held by VPEG were valued at \$29.0m (\$81,955 per typical investor) at 31 December 2013.

With many companies in the remaining portfolio only recently invested in and their values held at cost, and others conservatory valued at anywhere from 40% to 60% lower than their ultimate exit value, significant additional value enhancement is expected to flow through to shareholders as the remaining portfolio is exited over the next 2 to 4 years.

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