

# Vantage Private Equity Growth Limited

Quarterly Investor Report — Quarter Ending 31 March 2014

< Diversify  
< Grow  
< Outperform

## Special points of interest:

- Next Capital II Sells Discovery Holiday Parks to SunSuper at an Enterprise Value of \$240m.
- 19 Exits to Date have Delivered 2.8 X VPEG's Original Invested Capital and a Weighted Average IRR of 29.6% p.a.
- Interim Distribution of 17c per Share + Franking Credits to be Paid to All VPEG Shareholders by 30 June 2014 .

## Inside this report:

<b>Performance</b>	<b>2</b>
<b>Key Portfolio Developments</b>	<b>2</b>
<b>Overview of Recent Exit</b>	<b>3</b>
<b>Portfolio Structure</b>	<b>4</b>
<b>Industry Spread of VPEG's underlying Investments</b>	<b>5</b>
<b>Analysis of VPEG's Exit Returns to date</b>	<b>6</b>
<b>Details of Interim Distribution</b>	<b>7</b>

## 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 is now being divested over time and with total commitments of \$43m across seven private equity funds, it currently holds interests in 29 underlying companies with 19 exits now completed from the portfolio.

As at 31 March 2014, 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 January 2014 to 31 March 2014 again saw continued activity within VPEG's private equity investment portfolio.

During the period two follow on investments were completed into existing underlying companies. In addition two underlying company investment were exited one of which was announced during the previous quarter. Of the completed exits, one was completed in January and the other during February.

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

The table to the right provides a summary of the performance of VPEG's portfolio during the March 2014 quarter. As demonstrated VPEG's NAV increased slightly from 1.024 to 1.027 per share.

The slight increase in VPEG's NAV during the period resulted from the improvement in the holding value of VPEG's underlying private equity portfolio outstripping both the underlying fund management fees and costs and other expenses incurred by VPEG during the period.

Month Ending	VPEG NAV per Ordinary Share*
31-Mar-14	1.027
28-Feb-14	1.015
31-Jan-14	1.018
31-Dec-13	1.024

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

## Key Portfolio Developments

During the period 1 January 2014 to 31 March 2014, continued activity within VPEG's portfolio of private equity investments, saw two follow on investments completed and two investments exited.

Draw downs during the quarter totaling **\$241,351**, were made by Advent V, Archer Capital Fund 4, Catalyst Buyout Fund 2 (CBF2) and Equity Partners 3.

The majority of these draw downs were called by Advent V for follow on investments into existing portfolio companies, **Orionstone** and **Integrated Packaging Group**.

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 during the quarter a total of **\$5,350,657** in distributions were received by VPEG from CBF2, Next Capital II & Quadrant Private Equity No.2 (QPE2).

During January 2014, CBF2 completed the sale of **Actrol** to ASX listed Reece Plumbing for \$280 million, as was announced in the December 2013 quarterly report. The resulting distribution from this exit was received by VPEG in late January 2014.

During February 2014, Next Capital II sold the majority of their investment in portfolio company **Discovery Holiday Parks** to SunSuper. The Discovery exit proceeds were received by VPEG in March 2014.

Also during March 2014, QPE2 investee, **iSentia** paid a fully franked dividend to shareholders which was received by VPEG that month.

With 19 exits completed, 29 underlying private equity company investments remain within the portfolio as at 31 March 2014.

**"A total of \$5,350,657 in distributions were received by VPEG during the quarter resulting mainly from the exits of Actrol and Discovery Holiday Parks."**

## Overview of Recent Exits

### Discovery Holiday Parks

During December 2010, Next Capital II purchased Discovery Holiday Parks from Allegro Private Equity.

Discovery Parks is Australia's largest owner and operator of holiday park accommodation and a major provider of workforce and corporate accommodation, with a portfolio of 31 parks across all states of Australia.

The portfolio comprises in excess of 6,200 accommodation sites (rooms, cabins, and caravan / camping sites) with an additional 1,200 sites in various stages of planning approval.

Alliances exist with BIG4 and other Top Tourist and Family Parks to ensure maximum exposure to the Discovery Holiday Parks name as it continues to secure its position as market leader in the accommodation park industry.

The success enjoyed by Discovery Holiday Parks today has been established by developing systems and procedures that streamline the operations, whilst maximising the customer experience and delivery of the Discovery Holiday Parks brand values.

Discovery Parks' strategy is focussed on continued portfolio improvement to deliver high levels of customer satisfaction. Since 2008, Discovery Parks has delivered compound EBITDA growth of 21.2% per annum, with total room nights increasing by approximately 54% across the same period

On 10 February 2014, Next Capital II completed the sale of Discovery Parks, excluding Discovery Parks Onslow, to Queensland-based industry fund, SunSuper.

SunSuper previously owned 30% of Discovery and offered to buy the remaining 70% of Discovery at an Enterprise Value of \$240 million which represented an 8.5 X EBITDA

Next Capital II subsequently then regared Onslow and distributed further proceeds to investors.

The Discovery exit, the first from the Next Capital II fund, delivered a strong, top quartile, return to Next II investors including VPEG.



## PORTFOLIO STRUCTURE

### VPEG's Portfolio Structure – 31 March 2014

The tables and charts below provide information on the breakdown of VPEG's investments as at 31 March 2014.

#### 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	
8.7%	27.5%	Later Expansion	23.3%
		Buyout	40.5%

\*As a percentage of VPEG's Investment Portfolio (or Gross Assets). As at 31 March 2014 VPEG's Gross Assets were \$ 37.86 million pre tax.

During the March 14 Quarter VPEG's exposure to private equity investments decreased from 74.3% to 63.8% with the cash and fixed interest component of the portfolio increasing from 25.7% to 36.2%. The decrease in Private Equity exposure and subsequent increase in the cash and fixed interest component of the portfolio was due to the exits of Actrol & Discovery Holiday Parks both of which were completed during the quarter. The resulting increase in cash & fixed interest investments will result in

#### Private Equity Portfolio

VPEG, with commitments to seven Private Equity funds, ultimately held interests in twenty nine underlying company investments, at quarter end. VPEG's Private Equity portfolio and commitments, as at 31 March 2014, 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	\$3.82m	8	4
Archer Capital Fund 4	\$1,360m	2007	Mid Market Buyout	\$8.0m	\$7.19m	10	6
Catalyst Buyout Fund 2	\$438m	2008	Mid Market Buyout	\$8.0m	\$5.72m	6	1
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	\$3.13m	6	1
Next Capital II	\$285m	2008	Small to Mid Market Expansion / Buyout	\$7.0m	\$5.76m	7	1
Quadrant Private Equity No. 2	\$500m	2007	Mid Market Expansion / Buyout	\$8.0m	\$7.03m	5	3
<b>Total</b>				<b>\$43.0m</b>	<b>\$36.56m</b>	<b>48</b>	<b>19</b>

**"At the end of the March 2014 quarter, VPEG ultimately held 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 March 2014.

Rank	Investment	Fund	Description	% of VPEG NAV*	Cumulative % of VPEG NAV*
1	iSentia Media	Quadrant Private Equity No. 2	International Media Services Business	8.1%	8.1%
2	Aero Care	Next Capital II	Outsourced Airport Services	5.1%	13.2%
3	Home & Decor Holdings (Adairs & Dusk)	Catalyst Buyout Fund 2	Specialty Retail - Homewares	4.9%	18.1%
4	Healthe Care	Archer Capital Fund 4	Owner & Operator of Private Hospitals	3.8%	21.9%
5	Integrated Packaging Group	Advent V	Manufacturer & Distributor of Packaging Products	3.4%	25.3%
6	GoBus	Next Capital II	Urban and School Bus Operator	2.8%	28.1%
7	Onsite Rentals	Next Capital II	Commercial Rental of Portable Buildings, Toilets & Access Equipment	2.5%	30.6%
8	Scottish Pacific	Next Capital II	Provider of Debtor Finance Services	2.5%	33.1%
9	Quick Service Restaurants Holdings	Archer Capital Fund 4	Chicken Fast Food Retailing	2.5%	35.6%
10	Bhagwan Marine	Catalyst Buyout Fund 2	Offshore Transport Servicing the Oil & Gas Industries	2.4%	37.9%

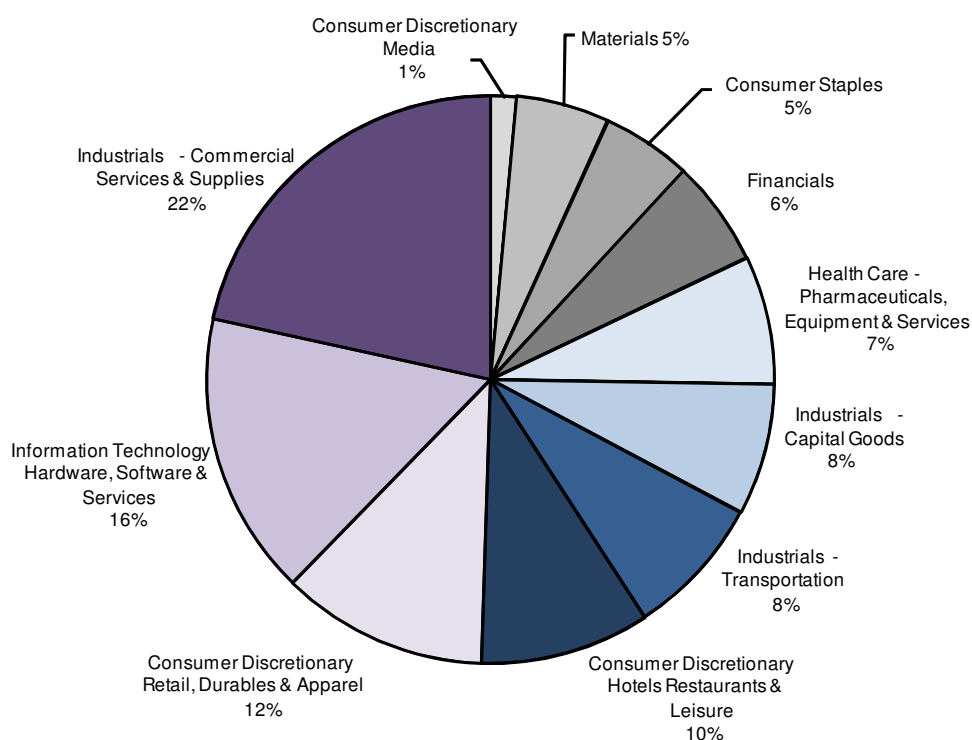
\*As at 31 March 2014 (unaudited) calculated on VPEG's pre tax Net Asset Value (NAV).

### Industry Spread of VPEG's Underlying Investments

With the completion of the sale of Actrol during the quarter, the "Industrials—Capital Goods" sector exposure reduced from 18% to 8%.

In addition with the sale of Discovery Holiday Parks also completed during the quarter, the "Hotels Restaurants and Leisure" sector exposure reduced from 13% to 10%.

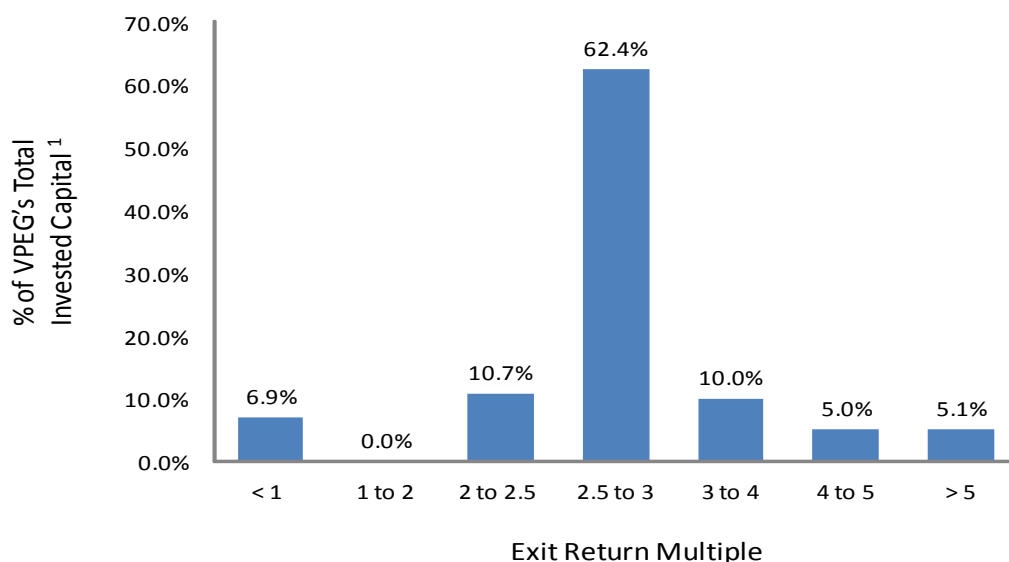
The "Industrials - Commercial Services & Supplies" sector remains VPEG's largest industry exposure, having increased from 19% to 22% across the quarter.



## ANALYSIS OF VPEG’S EXIT RETURNS TO DATE

Vantage recently performed an analysis of the returns delivered to VPEG from the 19 exits, from the underlying private equity portfolio, that have occurred to date. The analysis examined the spread of the return on cash invested (or exit return multiple) as well as the Internal Rate of Return (IRR) delivered across all exits.

**Spread of Multiple on VPEG’s Invested Capital From All Exits as at 31 Mar 14**

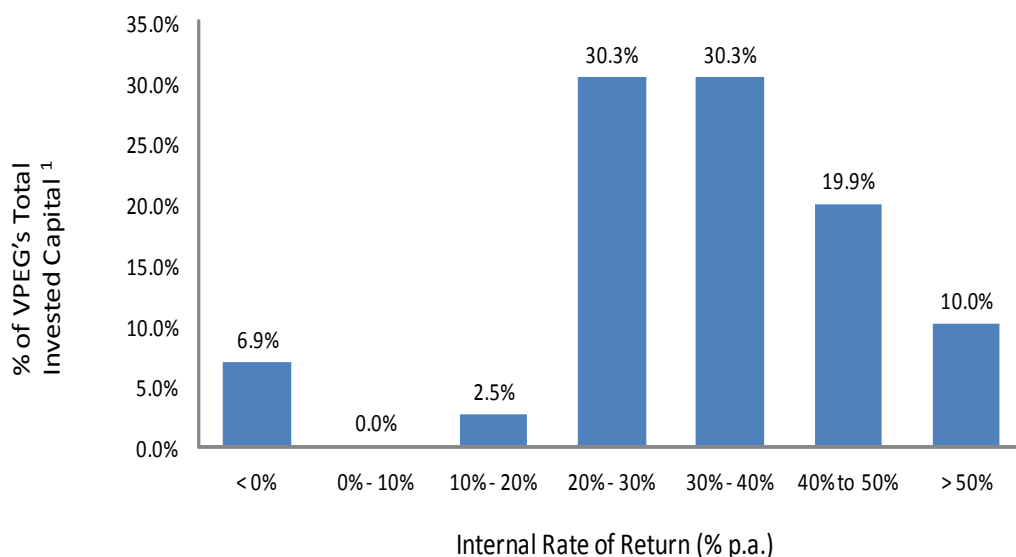


**“82.4% of VPEG’s underlying private equity investments exited to date have returned more than 2.5 X the original cost of investment”**

Notes; 1. Proportion of VPEG’s total original invested capital in all 19 underlying private equity companies that have since been sold (exited) from VPEG’s portfolio.

As demonstrated by the above chart, the majority of exits to date have delivered 2.5 to 3 times VPEG’s original invested capital. In fact 82.4% of investments exited to date have returned more than 2.5 X the original cost of investment.

**Spread of IRR’s Delivered From All Exits as at 31 Mar 14**



**“90.6% of VPEG’s underlying private equity investments exited to date have achieved an IRR of more than 20% p.a.”**

The chart above further demonstrates the strength of the returns achieved on VPEG’s invested capital to date, with the majority of exits delivering an IRR of between 20% to 40% p.a. In fact 90.6% of investments exited to date have achieved an IRR of more than 20% p.a., with 60.3% delivering an IRR greater than 30% p.a.

In summary, the 19 exits to date have delivered **2.8 X VPEG’s total original invested capital** into those companies and a weighted average **IRR of 29.6% p.a.**

## EVENTS SUBSEQUENT TO QUARTER END

### Announcement of Interim Distribution

As noted earlier, during the March 2014 quarter, VPEG received \$5,350,657 in distributions resulting mainly from the exits of Actrol and Discovery Holiday Parks. In addition, during the December 2013 quarter VPEG received \$4,412,093 in distributions resulting mainly from the exits of Covermore and the completion of the exit of Summerset Retirement Villages.

Of the total \$9,762,750 in distributions received during the six months to 31 March 2014, the return of capital component (i.e. VPEG's share of the original investment into those companies exited) was approximately \$2.835m.

As a result, on the 16th of April 2014, the Board of VPEG unanimously approved an equal reduction of capital of VPEG by the payment of a Return of Capital (ROC) to shareholders of \$0.08 per share. The total of the ROC distribution to be paid to shareholders by 30 June 2014, is \$2,829,844.

The ROC payment is subject to approval by shareholders at a general meeting to be held at 2pm on 12 June 2014 in Sydney. Shareholders & their advisers were emailed the notice of general meeting, the explanatory memorandum as well as proxy forms for voting on the resolution on 19 May 2014. Copies of these documents can be downloaded from VPEG's website at the following link; <http://vpeg.info/latest-news>

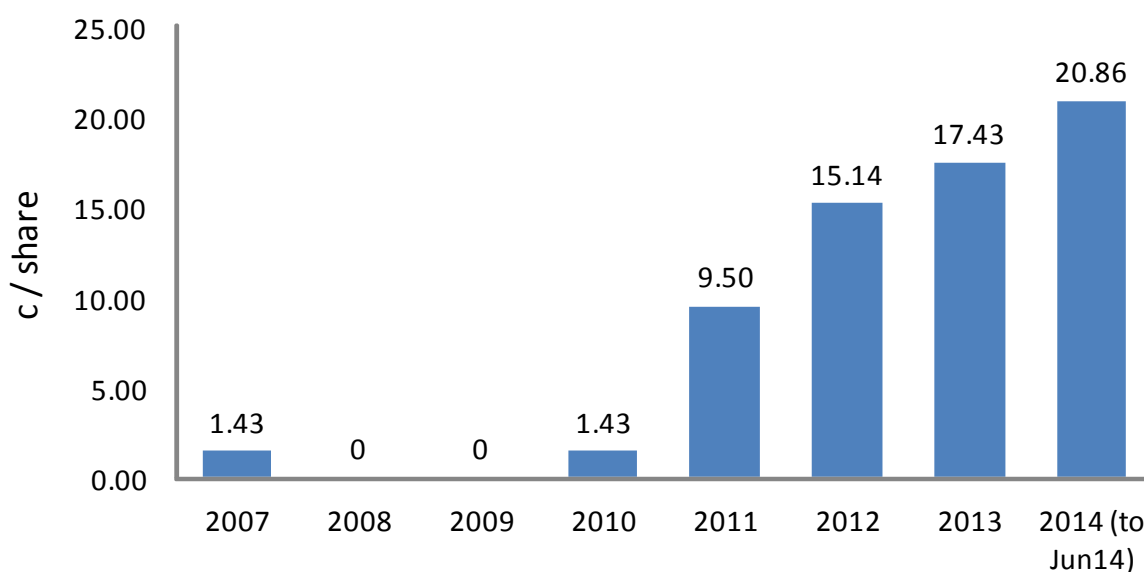
In addition the Board of VPEG sought advice from VPEG's tax adviser Ernst & Young as to the maximum level of fully franked dividend that could be paid to shareholders as an interim dividend prior to 30 June 2014.

Once advice was received, the Board of VPEG unanimously approved the payment of a fully franked dividend to shareholders of \$0.09 per share. The total of the fully franked dividend, distribution payment to be made to shareholders by 30 June 2014, is \$3,183,575.

As a result **the total interim distribution to be paid to shareholders by 30 June 2014 is \$0.17 per share** plus \$0.0386 in franking credits, representing a total cash payment by VPEG of \$6,013,419 (of which the ROC component is subject to shareholder approval).

In order to ensure shareholder approval for payment of the ROC component, within the interim distribution to be paid during June 2014, we encourage all shareholders to complete the proxy forms referred to above and return signed proxies to our offices by fax or email (see contact next page) by 2pm on 10 June 2014.

### Total Distributions to VPEG Shareholders - Paid & Announced to Date



The chart above details the history of distributions paid & announced to VPEG shareholders, since inception. The amounts detailed include all dividends, franking credits and return of capital. As demonstrated **the total of all distributions paid and announced to date is 65.8c / share**. As exits from the underlying private equity portfolio continue, the level of distributions to shareholders will also increase over time.

Once VPEG's FY14 accounts are finalised and audited in October 2014, we anticipate another strong distribution will be made in November & December 2014 in the form of both a ROC & fully franked dividend.

## CONTACT DETAILS

### Vantage Private Equity Growth Limited

Level 25, Aurora Place  
88 Phillip Street  
Sydney NSW, 2000 Australia

**Email:** [enquiries@vpeg.info](mailto:enquiries@vpeg.info)

**Internet:** [www.vpeg.info](http://www.vpeg.info)

### Investment Manager

Vantage Asset Management Pty Limited  
Managing Director - Michael Tobin

**Phone:** +612 8211 0477

**Fax:** +612 8211 0555

**Email;** [investor@vantageasset.com](mailto:investor@vantageasset.com)

---