

# Vantage Private Equity Growth Limited

Quarterly Investor Report — Quarter Ending 30 June 2015

< Diversify  
< Grow  
< Outperform

## Special points of interest:

- Catalyst Buyout Fund 2 sells 50% of its shares in Adairs via a successful IPO and listing on the ASX resulting in a strong distribution to VPEG.
- Archer Capital 4 negotiates early repayment of debt security held in MYOB delivering in a further distribution to VPEG.
- The increase in distributions received by VPEG from the divestment of underlying investments during the quarter, will lead to further distributions to shareholders in the December 2015 quarter.

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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 focused 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 25 underlying companies with 24 exits now completed from the portfolio.

As at 30 June 2015, 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 April 2015 to 30 June 2015 again saw continued activity within VPEG's private equity investment portfolio.

During the period four follow on investments were completed into existing underlying companies. In addition one underlying company investment was exited from VPEG's private equity investment portfolio which provided a distribution to VPEG.

As a result, the total number of investments held within VPEG's underlying private equity portfolio at quarter end, remained at twenty five. (The company which exited was part of a demerger from the larger group).

The table to the right provides a summary of the performance of VPEG's portfolio during the June 2015 quarter. As demonstrated VPEG's NAV increased from \$0.75 to \$0.781 per share.

The increase in VPEG's NAV during the period resulted from an increase in value to sale price, of the exited private equity investment, above its previously held value at the end of the prior quarter. In addition, the revaluations of other underlying investment companies as well as the earlier than anticipated redemption of a vendor financing facility resulted in a higher distribution to VPEG during the quarter.

Month Ending	VPEG NAV per Ordinary Share*
30-Jun-15	0.781
31-May-15	0.747
30-Apr-15	0.750
31-Mar-15	0.750

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

## Key Portfolio Developments

The period 1 April 2015 to 30 June 2015, once again saw continued activity within VPEG's portfolio of private equity investments, with four follow on investments and one portfolio company exited (sold) during the period.

Draw downs during the quarter totaling **\$303,824**, were called by Advent V, Catalyst Buy-out Fund 2 (CBF2), Equity Partners Fund No. 3, (EPF3) and Next Capital II (Next II).

The majority of these draw downs were called during the quarter for follow on investments for four of the underlying investment companies as well as contributions toward working capital expenditure (i.e. underlying fund costs and management fees).

Further capital was called by EPF3 for capital investment in **Aussie Farmers Direct**, for its full pro-rata rights in a rights issue by the company. In addition, CBF2 made a call for its follow on investments into existing portfolio companies, **Cirrus Media** and **Vesco**. Further more, Advent V called for capital for further investment in **Integrated Packaging Group**.

Also during the quarter a total of **\$4,094,092** in distributions were received by VPEG from three of the underlying fund managers including CBF2, Quadrant Private Equity No.2 and Archer Capital Fund 4.

During June 2015, **CBF2** completed the highly successful IPO of portfolio company, **Adairs** (Manchester) business. (Refer next page for further details). A total of \$2.62m in distributions were received by VPEG from CBF2 during the quarter.

In addition, during May 2015, **Archer Capital Fund 4** completed the successful negotiation of an early repayment of the debt security held in **MYOB** resulting in a higher net benefit to Archer investors, including VPEG.

Furthermore, during the quarter, **Quadrant Private Equity No. 2** made additional income and capital distributions to VPEG. This primarily consisted of the proceeds from the sale of 25% of the shares released from escrow of portfolio company Isentia. The remainder of the distributions received resulted from the sale of the remaining hotels in Queensland that were owned by the **Independent Pub Group**.

With 24 exits now completed, 25 underlying private equity company investments remain within the portfolio as at 30 June 2015.

**"A total of \$4,094,092 in distributions were received by VPEG during the quarter, from three of the underlying fund managers."**

## Overview of Recent Exits



### MYOB— Additional Proceeds from Sale — Archer Capital Fund 4

In August 2011, Archer Capital Fund 4, in a consortium with one of its investors (Harbourvest) sold MYOB to Boston based private equity firm Bain Capital. The deal reportedly represented a threefold return on Archer's original investment in just over two and a half years.

Part of the proceeds from the aforementioned sale was to be received in the form of a Payment-In-Kind Note to be redeemed on 31st March 2017. During May 2015, Archer Capital Fund 4 completed the successful negotiation of an early repayment of this debt security resulting in a higher net benefit to Archer investors, including VPEG.

On 15 May 2015, VPEG received distribution proceeds from Archer 4 for the MYOB PIK note redemption, which was triggered by the IPO of MYOB, by its current owners Bain Capital, in early May 2015.

### Adairs— Initial Public Offering —Catalyst Buyout Fund 2



In December 2010, Catalyst Buyout Fund 2 established Home Décor Holdings ('HDH') and acquired retailers Adairs (Manchester) and Dusk (Candles) from BB Retail Capital. This was part of a strategy to build a group of specialty retail businesses which operate in the home wares and home furnishing sector.

Adairs is recognised as a leading specialist retailer of Manchester and Homewares. The retailer currently has 130 stores nationally, comprising some of the country's best-known retail brands such as Adairs, Adairs Homemaker, Adairs Kids, Urban Home Republic and online retail.

During February 2015, HDH was restructured to separate the Dusk business from the group. Simultaneously the remaining group (including Adairs) was refinanced in preparation for an IPO.

Adairs (ADH) commenced trading on the ASX on 17th June 2015 with an initial issue price was \$2.40 per share. The IPO priced at 16.3 times FY16 net profit after tax and valued the Company at just over \$438 million (Enterprise Value). CBF2's initial investment in December 2010 was \$125m and represented a 69.5% stake in the company.

Since listing, the Company's shares have performed solidly in the aftermarket and consistently traded at above the aforementioned issued price. At the date of this report, the shares were trading at \$2.93.

The remaining 29.1% of Adairs' shares held by CBF2 is under an escrow arrangement until the release of the company's FY17 result. There are however mechanisms for a proportionate early release if preconditions are met.

The proceeds received to date by VPEG represent a good multiple of VPEG's initial share of the investment of Adairs, providing another strong top quartile return to VPEG from this exit.

## PORTFOLIO STRUCTURE

### VPEG's Portfolio Structure – 30 June 2015

The tables and charts below provide information on the breakdown of VPEG's investments as at 31 June 2015.

#### 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	
		24.8%	12.1%
		Buyout	47.9%

\*As a percentage of VPEG's Investment Portfolio (or Gross Assets). As at 30 June 2015 VPEG's Gross Assets were \$27.95 million pre tax.

During the quarter, VPEG's exposure to private equity investments reduced from 71.2% to 63.0% with the cash and fixed interest component of the portfolio increasing from 28.8% to 37.0% of total portfolio value. The decrease in private equity exposure resulted from the sell down of holdings in three portfolio companies. The increase in VPEG's cash and fixed interests will provide a further distribution to shareholders during the December 2015 quarter.

**“At the end of the June 2015 quarter, VPEG ultimately held interests in twenty five underlying company investments”**

#### Private Equity Portfolio

VPEG, with commitments to seven Private Equity funds, ultimately held interests in twenty five underlying company investments, at quarter end. VPEG's Private Equity portfolio and commitments, as at 30 June 2015, 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	\$3.94m	8	4
Archer Capital Fund 4	\$1,360m	2007	Mid Market Buyout	\$8.0m	\$7.27m	10	6
Catalyst Buyout Fund 2	\$438m	2008	Mid Market Buyout	\$8.0m	\$5.92m	7	2
Crescent Capital Partners III	\$400m	2006	Small to Mid Market Expansion / Buyout	\$4.0m	\$3.90m	6	4
Equity Partners Fund No. 3	\$76m	2007	Small Market Expansion / Buyout	\$4.0m	\$3.51m	6	1
Next Capital II	\$285m	2008	Small to Mid Market Expansion / Buyout	\$7.0m	\$5.84m	7	3
Quadrant Private Equity No. 2	\$500m	2007	Mid Market Expansion / Buyout	\$8.0m	\$7.06m	5	4
			<b>Total</b>	<b>\$43.0m</b>	<b>\$37.45m</b>	<b>49</b>	<b>24</b>

## 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 30 June 2015.

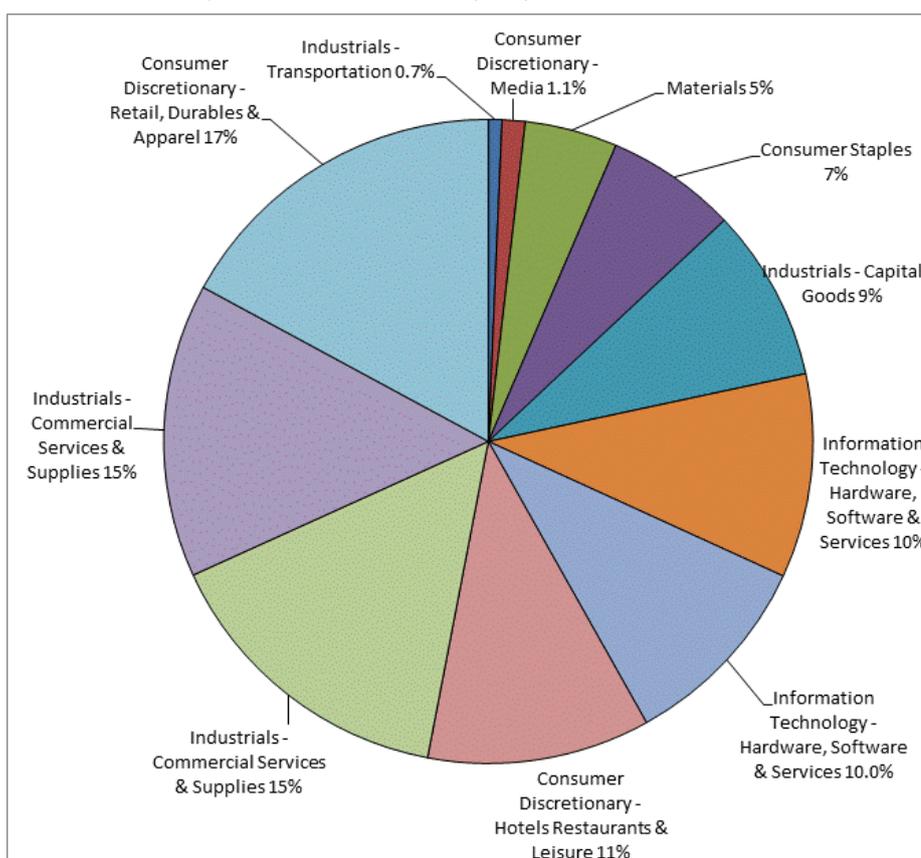
Rank	Investment	Fund	Description	% of VPEG NAV*	Cumulative % of VPEG NAV*
1	Health Care	Archer Capital Fund 4	Owner & Operator of Private Hospitals	9.1%	9.1%
2	Home & Decor Holdings (Dusk & Adairs - value of remaining shares held following IPO in June 15)	Catalyst Buyout Fund 2	Specialty Retail - Homewares	7.3%	16.4%
3	Scottish Pacific	Next Capital II	Provider of Debtor Finance Services	6.5%	22.9%
4	iSentia Media (value of remaining shares held following IPO in Jun14)	Quadrant Private Equity No. 2	International Media Services Business	6.3%	29.2%
5	Quick Service Restaurants Holdings	Archer Capital Fund 4	Chicken Fast Food Retailing	3.9%	33.1%
6	Integrated Packaging Group	Advent V	Manufacturer & Distributor of Packaging Products	2.9%	36.0%
7	Home Ventilation Products	Equity Partners III	Industrials - Capital Goods	2.1%	38.1%
8	GroundProbe	Crescent Capital Partners III	Industrials - Commercial Services & Supplies	2.0%	40.0%
9	Next Athleisure	Next Capital II	Consumer Discretionary - Retail	1.8%	41.9%
10	Onsite Rentals	Next Capital II	Commercial Rental of Portable Buildings, Toilets & Access Equipment	1.8%	43.7%

\*As at 30 June 2015 (unaudited) calculated on VPEG's pre tax Net Asset Value (NAV).

### Industry Spread of VPEG's Underlying Investments

The early MYOB PIK note redemption, delivered a distribution to VPEG during the quarter, which resulted in a decrease in VPEG's exposure to the "Information Technology—Hardware Software & Services" sector from 16.3% to 10%.

The highly successful IPO of Adairs at a premium to the previous quarter's valuation has increased the exposure to Consumer "Discretionary—Retail, Durables & Apparel" from 15% to 17%. This sector along with "Industrials—Commercial Services & Supplies" sector now share the position as VPEG's largest industry exposures, representing a combined 32% of the value of VPEG's total Private Equity portfolio at 30 June 2015.



## CONTACT DETAILS

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