

Vantage Private Equity Growth Limited

Quarterly Investor Report — Quarter Ended 31 March 2017

< Diversify
< Grow
< Outperform

Special points of interest:

- **Equity Partners 3, sells leading home ventilation systems provider, E-Co Products Group (HRV) to NZX Listed, Vector Limited, delivering a strong top quartile return to EP3 investors including VPEG.**
- **VPEG's Board approves a 6.5c per Share Return of Capital following the receipt of distributions from the exit of HRV.**
- **Payment of a Return of Capital will be made to all Shareholders' prior to 30 June 2017, subject to approval of VPEG Shareholders at a General Meeting to be held on 6 June 2017.**

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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 initial commitments of \$43m across seven Private Equity funds, it held interests in 20 underlying companies at quarter end with 29 exits completed from the portfolio.

As at 31 March 2017, VPEG's investment commitments included, \$8m to Archer Capital Fund 4 and Catalyst Buyout Fund 2, \$7m to Next Capital II and \$4m to each of Advent V, Crescent Capital Partners III and Equity Partners Fund No. 3. VPEG's investment commitment of \$8m to Quadrant Private Equity No. 2 ended upon the termination of the fund in July 2016 following the final exit of its last underlying company investment in June 2016.

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 2017 to 31 March 2017 saw continued activity within VPEG's private equity investment portfolio.

During the period, there were two follow-on investments to existing underlying portfolio companies. In addition, one underlying company investment was exited from VPEG's private equity investment portfolio.

As a result, the remaining number of investments held within VPEG's underlying Private Equity portfolio at quarter end, reduced to 20.

The table to the right provides a summary of the performance of VPEG's portfolio during the March 2017 quarter. As demonstrated, VPEG's NAV decreased slightly from \$0.456 to \$0.448 per share.

The decrease in VPEG's NAV during the March quarter resulted predominantly from the payment of FY16 income tax by VPEG, as well as underlying fund costs incurred by VPEG slightly exceeding the earnings of underlying portfolio companies and the interest earned on VPEG's cash and fixed interest investments during the quarter.

Month Ending	VPEG NAV per Ordinary Share*
31-Mar-17	0.448
28-Feb-17	0.452
31-Jan-17	0.454
31-Dec-16	0.456

*Net Asset Value (NAV) per share post tax

Key Portfolio Developments

The period 1 January 2017 to 31 March 2017 saw continued activity within VPEG's Private Equity investment portfolio.

Draw downs during the quarter totaled **\$68,320** which were used to fund two follow on investments into existing underlying portfolio companies including by **Advent V** for a follow-on investment in **UGM Mining Solutions** and by **Catalyst Buyout Fund 2** ('CBF2') for a follow-on investment in **Bhagwan Marine**.

On 31 March 2017, **Equity Partners 3** completed the trade sale of **E-Co Products** (HRV) to New Zealand Exchange Listed Vector Limited delivering a top quartile return for investors of EP3 including VPEG. Subsequently, VPEG's Board approved a \$0.065 per share, Return of Capital to VPEG Shareholders. Subject to shareholder approval at a general meeting on 6 June 2017, the ROC distribution to shareholders will be made by 30 June 2017.

The number of exits from the underlying portfolio is set to continue as a number of underlying funds work towards finalising their investment strategies for their remaining investment portfolio to deliver value to their investors including VPEG.

With 29 exits completed, 20 underlying Private Equity company investments remained within VPEG's underlying portfolio as at 31 March 2017.

"VPEG's Board approves a 6.5c per Share Return of Capital to all Shareholders following the completion of the sale of E-Co Products Group (HRV) by Equity Partners 3."

Overview of Recent Exit

E-Co Products Group (HRV) - Trade Sale — Equity Partners 3



On 31 March 2017, Equity Partners 3 ('EP3') sold its interest in New Zealand based investee E-Co Products (formerly HRV) in a trade sale to New Zealand Exchange listed, Vector Limited (VCT). Vector is New Zealand's leading energy solutions company, delivering energy and communication services and is the largest distributor of electricity and gas, owning the lines and pipes to households and businesses across Auckland.

E-Co Products provides a wide range of home solutions comprising home ventilation, heat pumps, water filtration and retrofit double glazing products. In 2016, the group serviced over 100,000 homes across New Zealand through a mix of franchised and owned operations.

EP3 acquired a controlling share of HRV group in February 2010. During the investment period bolt on acquisitions were acquired such as the heat pump distributor Energy Efficient Solutions (ESS) and parts manufacturer and distributor HVAC Hero. These acquisitions complemented HRV's other acquisitions including a windows and retrofit double glazing business. This formed part of EP3's growth strategy focusing on diversifying its product range to provide a total home solutions company.

VPEG received its share of the total amount distributed by EP3 on 7th April 2017. The remaining proceeds from sale have been retained in Escrow and will be released upon settlement of the retention period.

The final proceeds from the sale delivered a strong multiple of investment for EP3 investors including VPEG, over the approximate 7-year investment period.

“Equity Partners 3 completes sale of investee E-Co Products Group to NZX Listed, Vector Limited resulting in a strong distribution to VPEG.”

PORTFOLIO STRUCTURE

VPEG's Portfolio Structure – 31 March 2017

The tables and charts below provide information on the breakdown of VPEG's underlying investments as at 31 March 2017.

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	
		0.3%	16.6%
		Buyout	62.9%

*As a percentage of VPEG's Investment Portfolio (or Gross Assets). As at 31 March 2017 VPEG's Gross Assets were \$13.86 million pre tax.

During the quarter, VPEG's exposure to Private Equity investments increased from 80.6% to 83.1% with the cash and fixed interest component of the portfolio decreasing from 19.4% to 16.9% of total portfolio value. The increase in VPEG's exposure to private equity investments was due to the increase in the underlying value of the investments with the cash component decreasing, predominately due to the payment of VPEG's FY16 Income tax during the quarter.

“At the end of the March 2017 quarter, VPEG ultimately held interests in 20 underlying company investments.”

Private Equity Portfolio

VPEG, with remaining commitments to six Private Equity funds, ultimately held interests in 20 underlying company investments, at quarter end. VPEG's Private Equity portfolio and commitments, as at 31 March 2017, 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	\$4.00m	8	4
Archer Capital Fund 4	\$1,360m	2007	Mid Market Buyout	\$8.0m	\$7.27m	10	7
Catalyst Buyout Fund 2	\$438m	2008	Mid Market Buyout	\$8.0m	\$6.10m	7	2
Crescent Capital Partners III	\$400m	2006	Small to Mid Market Expansion / Buyout	\$4.0m	\$3.95m	6	4
Equity Partners Fund No. 3	\$76m	2007	Small Market Expansion / Buyout	\$4.0m	\$3.69m	6	3
Next Capital II	\$285m	2008	Small to Mid Market Expansion / Buyout	\$7.0m	\$6.06m	7	4
Quadrant Private Equity No. 2	\$500m	2007	Mid Market Expansion / Buyout	\$8.0m	\$7.06m	5	5
			Total	\$43.0m	\$38.12m	49	29

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 2017.

Rank	Investment	Fund	Description	% of VPEG NAV*	Cumulative % of VPEG NAV*
1	HRV Group	Equity Partners III	Franchise based Provider of Positive Pressure Home Ventilation Systems	18.3%	18.3%
2	Scottish Pacific (Value of remaining shares held following IPO in July 16)	Next Capital II	Provider of Debtor Finance Services	10.6%	28.9%
3	Quick Service Restaurants Holdings	Archer Capital Fund 4	Chicken Fast Food Retailing	9.4%	38.3%
4	Adairs (Value of remaining shares held following IPO in June 15)	Catalyst Buyout Fund 2	Specialty Retailer of Homewares and Soft Furnishings	6.4%	44.8%
5	Integrated Packaging Group	Advent V	Manufacturer & Distributor of Packaging Products	6.2%	51.0%
6	Aussie Farmers Group	Equity Partners III	Fresh Food Home Delivery Business	5.7%	56.7%
7	GroundProbe	Crescent Capital Partners III	Slope Stability Monitoring Systems	4.3%	61.0%
8	Steel-line	Crescent Capital Partners III	Manufacture, Distribution and Installation of Garage Doors	4.0%	65.0%
9	Morris Corporation	Catalyst Buyout Fund 2	Remote Facilities Management & Accommodation Services	3.2%	68.2%
10	Discovery Holiday Parks	Next Capital II	Caravan & Cabin Park Owner & Operator	2.4%	70.6%

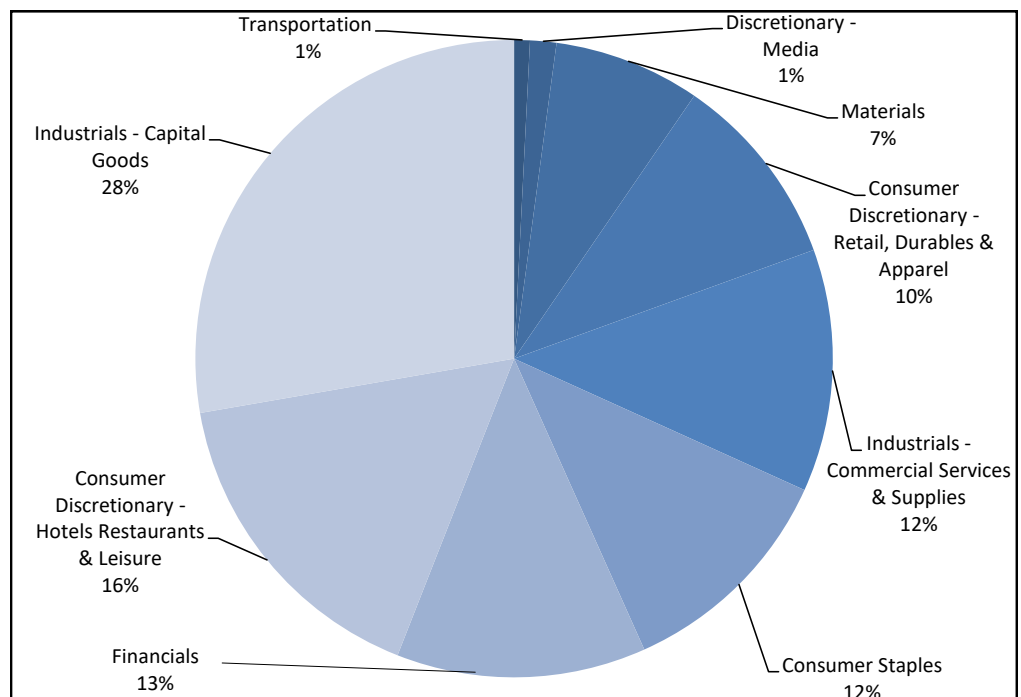
*As at 31 March 2017 (unaudited) calculated on VPEG's pre tax Net Asset Value (NAV).

Industry Spread of VPEG's Underlying Investments

VPEG's "Industrials—Capital Goods" sector exposure increased from 26% to 28% due to the increase in value of E-Co Products Group (HRV) to the final agreed to sale price prior to settlement in early April 2017.

As a result the "Consumer Discretionary—Retail, Durables & Apparel" sector exposure reduced slightly from 13% to 10%.

The "Industrials—Capital Goods" sector is currently VPEG's largest industry exposure, representing 28% of the value of VPEG's total Private Equity portfolio at 31 March 2017.



CONTACT DETAILS

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