

# Vantage Private Equity Growth Limited

Quarterly Investor Report — Quarter Ended 30 September 2016

< Diversify  
< Grow  
< Outperform

## Special points of interest:

- Next Capital II Portfolio Company Next Athleisure Sells Trend Imports and Glue Stores to UK listed retailer Fashion Plc.
- VPEG to pay 7.5c per share, Fully Franked Dividend to all Shareholders on 24 November 2016 and a 3.7c per share Return of Capital During December 2016.
- VPEG3 Now Open, enhancements include Superior Tax Effective Structure, Regular Income, Incremental Calls on Capital, Improved Cash Flows, Option to Redeem after 4 years & an Online Application Process.
- VPEG3 Offers Full Rebate of 1st year's Management Fee to all Existing VPEG Investors Participating in First Close by 15 December 2016.

## 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>Contact Details</b>                                  | <b>6</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 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 21 underlying companies at quarter end with 28 exits completed from the portfolio.

As at 30 September 2016, 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 July 2016 to 30 September 2016 saw continued activity within VPEG's private equity investment portfolio.

During the period, there was one follow-on investment to an existing underlying portfolio company. In addition, one underlying company investment was exited from VPEG's underlying portfolio, with another partially exited, each of which provided strong distributions to VPEG.

As a result, the remaining number of investments held within VPEG's underlying Private Equity portfolio at quarter end, decreased to 21.

The table to the right provides a summary of the performance of VPEG's portfolio during the September 2016 quarter. As demonstrated, VPEG's NAV decreased slightly from \$0.588 to \$0.585 per share.

The slight decrease in VPEG's NAV during the period resulted from the management, custody, administration and other underlying fund costs slightly exceeding the earnings of underlying portfolio companies and interest earned on VPEG's cash and fixed interest investments during the period.

| Month Ending | VPEG NAV per Ordinary Share* |
|--------------|------------------------------|
| 30-Sep-16    | 0.585                        |
| 31-Aug-16    | 0.585                        |
| 31-Jul-16    | 0.586                        |
| 30-Jun-16    | 0.588                        |

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

## Key Portfolio Developments

The period 1 July 2016 to 30 September 2016 saw continued activity within VPEG's Private Equity investment portfolio, with one full and one partial exit completed both by **Next Capital II** ('Next II').

Draw downs during the quarter totaled **\$50,000** which were called by **Crescent Capital Fund III** for a follow-on investment in **Steel-Line Group**.

Also during the September quarter, a total of **\$1,841,785** in distributions were received by VPEG from **Next II** following the exit of **Scottish Pacific Group** and the partial exit of **Next Athleisure**.

On 15th July, **Next II** completed the Initial Public Offer (IPO) of **Scottish Pacific Group** and successfully listed the company on the ASX, as detailed in the VPEG June 2016 quarter report. Scottish Pacific raised \$293m at an issue price of \$3.20 per share with the net proceeds from the Scottish Pacific float distributed to **Next II** investors, including VPEG, during July 2016.

In addition, during August 2016, **Next II** made additional income and capital distributions to VPEG resulting from the trade sale of Next Athleisure's interests in its youth apparel businesses Glue Store and Trend Imports.

Furthermore, following another profitable year for VPEG in 2016, the VPEG Board resolved at the October Board meeting, to pay shareholders a **fully franked dividend of 7.5c per share on 24 November 2016**.

The Board also resolved that a further **3.7c per share, Return of Capital distribution** is to be paid to Shareholders **during December 2016**, subject to Shareholder approval at the Company's AGM on 29 November 2016.

With 28 exits completed, 21 underlying Private Equity company investments remained within VPEG's underlying portfolio as at 30 September 2016.

**"VPEG to Pay  
7.5c per  
share, Fully  
Franked  
Dividend to  
all  
Shareholders  
on 24  
November  
2016 and a  
Further 3.7c  
per share  
Return of  
Capital  
During  
December  
2016."**

## Overview of Recent Exit

### Next Athleisure – Trade Sale – Next Capital Fund II



On 26 August 2016, Next Capital completed the sale of its interest in Next Athleisure Pty Ltd ('Next Athleisure') to UK listed retailer Fashion Plc. Fashion Plc is an LSE-listed retailer of sports fashion and outdoor brands in the UK and Europe with a market capitalisation of £2.6bn. Fashion Plc is using the purchase of Next Athleisure as an opportunity to enter the Australian market. The transaction included the sale of Glue Stores and Trend Imports however excluded Austradia Pty Ltd which retained the exclusive rights to operate Topshop stores in Australia.

Next Capital acquired a controlling interest in Next Athleisure in November 2011. The company consisted of three businesses in the youth apparel industry including:

- Glue Store ("**Glue**"): one of Australia's leading streetwear and youth-oriented retail apparel businesses operating 30 stores and a rapidly growing web business. The stores are primarily located in metropolitan areas of NSW, ACT and VIC, retailing a combination of international third party, domestic third party, Glue exclusive international brands and Glue owned domestic brands;
- Trend Imports ("**Trend**"): an apparel wholesaling business, which wholesales the Henleys, Le Coq Sportif, and other menswear brands as well as the Nude Lucy, Lulu & Rose and Henleys womenswear brands (with some in-house design capabilities); and
- Austradia Pty Ltd ("**Austradia**"): initially a 50% interest (subsequently 26.9% post sale to Myer in FY16) in the entity which holds the licence to operate the Topshop brand and business in Australia.

During the investment period, Next Athleisure faced a number of industry challenges however Next Capital implemented a range of material growth initiatives including reduced reliance on non-performing brands, investment in online capability, changing store formats and restructuring financial arrangements with its financier.

---

**"Next Capital Fund II Portfolio Company, Next Athleisure Sells Trend Imports and Glue Stores, to UK Listed Retailer Fashion Plc."**

## PORTFOLIO STRUCTURE

### VPEG's Portfolio Structure – 30 September 2016

The tables and charts below provide information on the breakdown of VPEG's investments as at 30 September 2016.

#### 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  |       |
|-------|----------------|-----------------|-------|
| 18.1% | 17.8%          | Later Expansion | 14.3% |
|       |                | Buyout          | 49.8% |

\*As a percentage of VPEG's Investment Portfolio (or Gross Assets). As at 30 September 2016 VPEG's Gross Assets were \$19.56 million pre tax.

During the quarter, VPEG's exposure to Private Equity investments decreased from 72.7% to 64.1% with the cash and fixed interest component of the portfolio increasing from 27.3% to 35.9% of total portfolio value. The increase in VPEG's cash and fixed interest investments during the quarter was due to the net increase in cash held by VPEG as a result of the \$1.84m of distributions received during the quarter. The decrease in VPEG's exposure to private equity investments was due to the exit from the portfolio of Next Capital II investee Scottish Pacific and the partial exit of Next Athleisure.

**“During the Quarter, VPEG's exposure to Private Equity decreased from 73% to 64% following the IPO of Scottish Pacific & the partial exit of Next Athleisure, by Next Capital II.”**

#### Private Equity Portfolio

VPEG, with remaining commitments to six Private Equity funds, ultimately held interests in 21 underlying company investments, at quarter end. VPEG's Private Equity portfolio and commitments, as at 30 September 2016, 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          | \$3.97m            | 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          | \$6.04m            | 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          | \$3.61m            | 6                               | 2            |
| 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            |
| <b>Total</b>                  |           |              |  | <b>\$43.0m</b>  | <b>\$37.97m</b>    | <b>49</b>                       | <b>28</b>    |

## 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 September 2016.

| Rank | Investment  | Fund                          | Description                                      | % of VPEG NAV* | Cumulative % of VPEG NAV* |
|------|---|-------------------------------|--|----------------|---------------------------|
| 1    | Scottish Pacific<br>(Value of remaining shares held following IPO in July 16) | Next Capital II               | Provider of Debtor Finance Services              | 10.6%          | 10.6%                     |
| 2    | Adairs<br>(Value of remaining shares held following IPO in June 15)           | Catalyst Buyout Fund 2        | Specialty Retail - Homewares                     | 9.9%           | 20.5%                     |
| 3    | Quick Service Restaurants Holdings  | Archer Capital Fund 4         | Chicken Fast Food Retailing                      | 8.6%           | 29.1%                     |
| 4    | Home Ventilation Products   | Equity Partners III           | Industrials - Capital Goods                      | 7.8%           | 36.9%                     |
| 5    | Integrated Packaging Group  | Advent V                      | Manufacturer & Distributor of Packaging Products | 4.6%           | 41.5%                     |
| 6    | Aussie Farmers Group  | Equity Partners III           | Consumer Staples                                 | 4.0%           | 45.5%                     |
| 7    | GroundProbe   | Crescent Capital Partners III | Industrials - Commercial Services & Supplies     | 3.0%           | 48.5%                     |
| 8    | Steel-line  | Crescent Capital Partners III | Industrials - Capital Goods                      | 2.8%           | 51.3%                     |
| 9    | Morris Corporation  | Catalyst Buyout Fund 2        | Industrials - Commercial Services & Supplies     | 1.9%           | 53.2%                     |
| 10   | Hirepool  | Next Capital II               | Industrials - Commercial Services & Supplies     | 1.6%           | 54.9%                     |

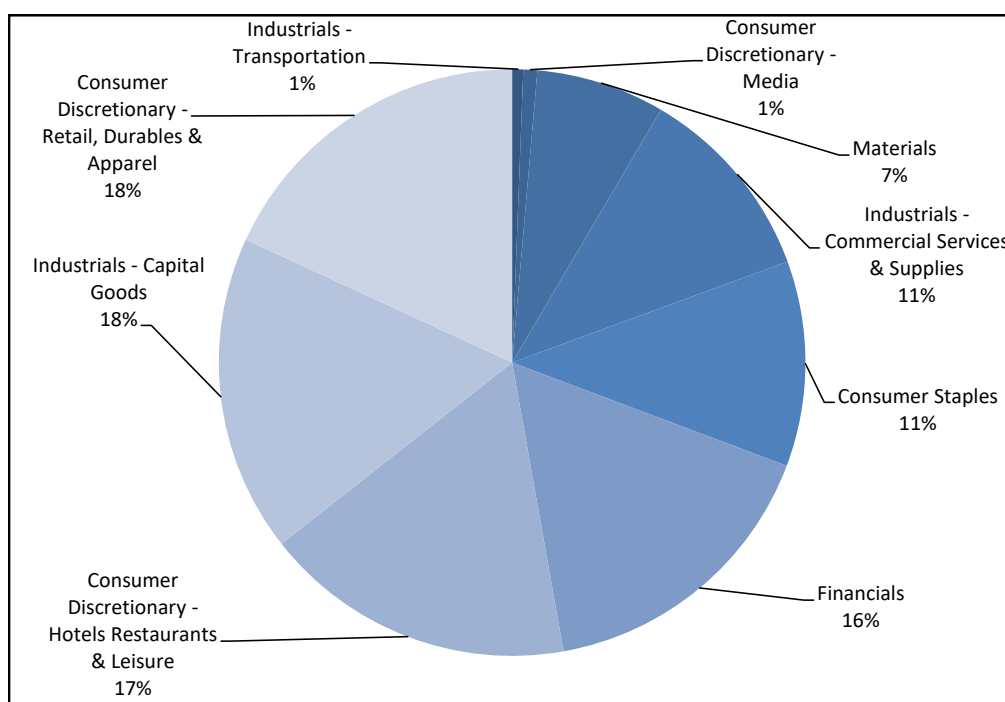
\*As at 30 September 2016 (unaudited) calculated on VPEG's pre tax Net Asset Value (NAV).

## Industry Spread of VPEG's Underlying Investments

With the IPO of Scottish Pacific in July, VPEG's "Financials" sector exposure reduced from 26% to 16%.

VPEG's "Consumer Discretionary—Retail, Durables & Apparel" sector exposure increased from 16% to 18% due to a revaluation of the remaining shares held in ASX listed Adairs.

The "Consumer Discretionary—Retail, Durables & Apparel" and "Industrials—Capital Goods" sectors now equally occupy VPEG's largest industry exposures, representing 36% of the value of VPEG's total Private Equity portfolio at 30 September 2016.



## VPEG3 NOW OPEN –EXCLUSIVE OFFER FOR VPEG SHAREHOLDERS

Vantage Private Equity Growth 3 (VPEG3) is now open for investment with a First Closing Date set for 15 December 2016.

VPEG3 will invest into the same segment of the Australian Private Equity market as VPEG, however the strategy and structure of VPEG3 has been enhanced over that of VPEG and VPEG2.

Key enhancements include;

- *Superior Tax Effective Structure;* Full flow through of all tax components to each investor, including income, dividends, franking credits & capital gains, which is then only taxed at the investors marginal rate.
- *Regular Income;* The total investment of investors committing less than \$1m, will be deposited into a Cash Management Trust (CMT), with capital only called by VPEG3 from the CMT when VPEG3's underlying investments are made, allowing for the net interest income of the CMT to be distributed to investors each year.
- *Incremental Calls on Committed Capital;* Large investors committing at least \$1m, receive incremental calls on their committed capital by VPEG3, only when underlying companies are purchased, allowing investors to retain their committed capital until it is called, delivering a pure private equity return on investment.
- *Enhanced Deployment of Capital;* Primary & Secondary Private Equity fund investments as well as co-investments provides VPEG3 with additional diversification and faster deployment of capital into underlying private equity companies, leading to earlier divestments & distributions to investors and a shorter investment timeframe;
- *Improved Cash flows;* Distributions paid to investors immediately following receipt from underlying funds, enhances the cash flow as well as the ultimate IRR to investors;
- *Redemption;* Opportunity to redeem investment in VPEG3 after 4 years;
- *Online Application Process;* Applications to invest in VPEG3 can be now be lodged online at <http://vpeg3.info/invest-now/>. This streamlined online process removes the requirement to post any documentation for the majority of applicants.

### Exclusive Offer for VPEG Shareholders

For every current VPEG shareholder who commits to and invests in VPEG3 prior to the First Closing Date, Vantage will rebate to that investor the entire management fee applicable to their investment across the first 12 months of their investment. This equates to a rebate of;

- 1.25% p.a. of an Investor's total Committed Capital / investment in VPEG3

To qualify for the rebate simply advise us by email at [investor@vantageasset.com](mailto:investor@vantageasset.com) with the name of your VPEG3 investing entity, as well as the current entity invested in VPEG (if different), at the time of your application and prior to 15 December 2016.

To learn more please visit [www.vpeg3.info](http://www.vpeg3.info) or request further information by emailing [info@vantageasset.com](mailto:info@vantageasset.com) or call Vantage on +61 2 8211 0477.

## 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)