

Vantage Private Equity Growth Limited

Quarterly Investor Report — Quarter Ended 31 December 2016

< Diversify
< Grow
< Outperform

Special points of interest:

- VPEG Distributes 11.2 cents Per Share, Plus Franking Credits, to all Shareholders, During the December 2016 Quarter
- VPEG's Private Equity Exposure increases from 64.1% to 80.6% Following an Improvement in Underlying Company Valuations and the Payment of almost \$4m in Distributions to Shareholders.
- VPEG3 Completes \$20m First Close, Commencing its Investment Program in Early 2017. New Investors Can Participate via Online Application Process.

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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 21 underlying companies at quarter end with 28 exits completed from the portfolio.

As at 31 December 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 October 2016 to 31 December 2016 saw continued activity within VPEG's private equity investment portfolio.

During the period, there was two follow-on investments to existing underlying portfolio companies.

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

The table to the right provides a summary of the performance of VPEG's portfolio during the December 2016 quarter. As demonstrated, VPEG's NAV decreased from \$0.585 to \$0.456 per share.

The decrease in VPEG's NAV during the December quarter was the result of a total of **11.2 cents per share**, dividend and return of capital payments made to all shareholders. A **fully franked dividend of 7.5 cents per share** was paid on 24 November 2016 and an additional **3.7 cents per share, return of capital distribution** was paid on the 14 December 2016 following the approval by Shareholders at the Company's AGM on 29th November 2016.

Month Ending	VPEG NAV per Ordinary Share*
31-Dec-16	0.456
30-Nov-16	0.471
31-Oct-16	0.573
30-Sep-16	0.585

*Net Asset Value (NAV) per share post tax

Key Portfolio Developments

The period 1 October 2016 to 31 December 2016 saw continued activity within VPEG's Private Equity investment portfolio.

Draw downs during the quarter totaled **\$90,521** which were used to fund two follow on investments into existing underlying portfolio companies including by **Equity Partners 3** for a follow-on investment in **Tasman Market Fresh Meats** and by **Catalyst Buyout Fund 2** ('CBF2') for a follow-on investment in **Dusk**.

Also during the December quarter, a total of **\$60,000** in dividends were received by VPEG from **CBF2** for its remaining shareholding in underlying portfolio company, now listed on the ASX, **Adairs**.

During the December quarter a total of **\$3,957,304**, in distributions were paid to VPEG shareholders. A fully franked dividend totaling **\$2,648,501** was paid to shareholders on 24 November 2016 and an additional **return of capital** distribution totaling **\$1,308,803** was paid on the 14 December 2016 following the approval by Shareholders at the Company's AGM on 29th November 2016.

The number of exits from the underlying portfolio of investments is set to continue as a number of the investee funds work towards finalising their investment strategies for their remaining investment portfolio to deliver value to their investors including VPEG. There is an increasing focus amongst VPEG investees as the investment cycle matures, to identify appropriate opportunities to divest the underlying investment companies in a manner that will deliver the strongest return for investors including VPEG.

With 28 exits completed, 21 underlying Private Equity company investments remained within VPEG's underlying portfolio as at 31 December 2016.

"VPEG paid a 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."

PORTFOLIO STRUCTURE

VPEG's Portfolio Structure – 31 December 2016

The tables and charts below provide information on the breakdown of VPEG's investments as at 31 December 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	
		19.4%	0.0%
		Buyout	59.8%

*As a percentage of VPEG's Investment Portfolio (or Gross Assets). As at 31 December 2016 VPEG's Gross Assets were \$14.48 million pre tax.

During the quarter, VPEG's exposure to Private Equity investments increased from 64.1% to 80.6% with the cash and fixed interest component of the portfolio decreasing from 35.9% to 19.4% of total portfolio value. The decrease in VPEG's cash and fixed interest investments across the quarter resulted from the two distribution payments made to VPEG shareholders, totalling 11.2 cents per share, across the quarter. The increase in VPEG's exposure to private equity investments was due to proportionate decrease in cash resulting from the distribution payments.

“During the quarter, VPEG's exposure to Private Equity increased from 64.1% to 80.6% following an improvement in underlying company valuations and the payment of almost \$4m in distributions to Shareholders.”

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 31 December 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	\$6.06m	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	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
Total				\$43.0m	\$38.06m	49	28

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 2016.

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	16.3%	16.3%
2	Scottish Pacific (Value of remaining shares held following IPO in July 16)	Next Capital II	Provider of Debtor Finance Services	9.7%	26.0%
3	Quick Service Restaurants Holdings	Archer Capital Fund 4	Chicken Fast Food Retailing	9.0%	35.0%
4	Adairs (Value of remaining shares held following IPO in June 15)	Catalyst Buyout Fund 2	Specialty Retailer of Homewares and Soft Furnishings	8.3%	43.3%
5	Integrated Packaging Group	Advent V	Manufacturer & Distributor of Packaging Products	6.0%	49.3%
6	Aussie Farmers Group	Equity Partners III	Fresh Food Home Delivery Business	5.4%	54.8%
7	Steel-line	Crescent Capital Partners III	Manufacture, Distribution and Installation of Garage Doors	4.2%	59.0%
8	GroundProbe	Crescent Capital Partners III	Slope Stability Monitoring Systems	3.8%	62.8%
9	Morris Corporation	Catalyst Buyout Fund 2	Remote Facilities Management & Accommodation Services	3.1%	65.9%
10	Hirepool	Next Capital II	Construction, Mining, commercial & Industrial Equipment Rental	2.2%	68.0%

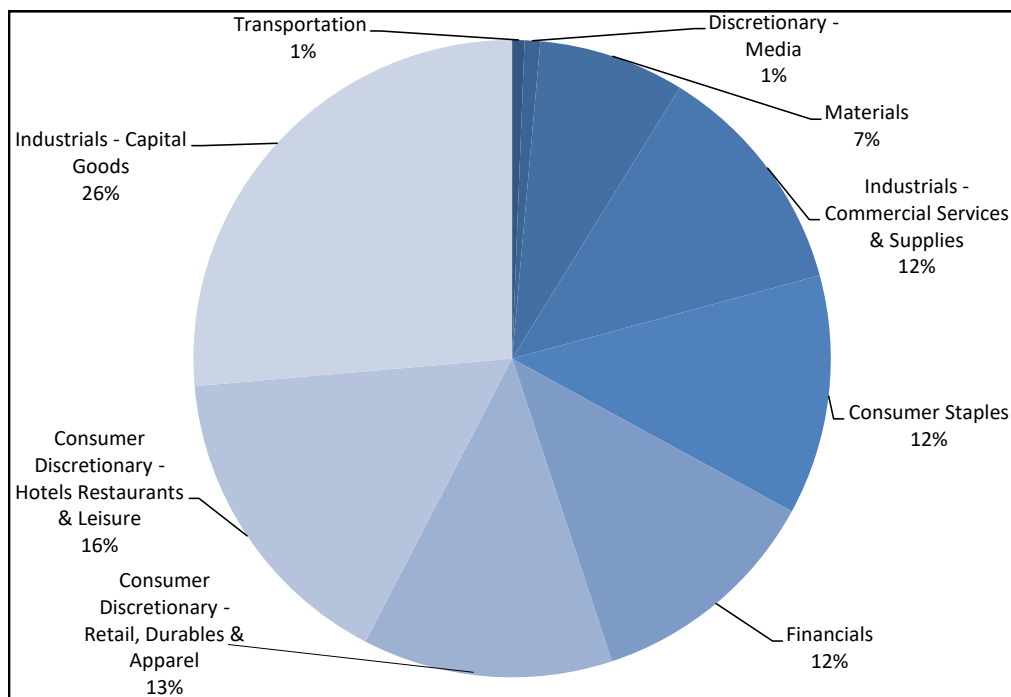
*As at 31 December 2016 (unaudited) calculated on VPEG's pre tax Net Asset Value (NAV).

Industry Spread of VPEG's Underlying Investments

VPEG's "Industrials—Capital Goods" sector exposure increased from 9% to 26% after negotiations commenced regarding the trade sale of an underlying investment company, increased its value, within this sector.

As a result of the increase in VPEG's "Industrials—Capital Goods" sector exposure, the "Consumer Discretionary—Retail, Durables & Apparel" sector exposure reduced from 18% to 13% and the "Financials" sector exposure also reduced from 16% to 12%.

The "Industrials—Capital Goods" sector is currently VPEG's largest industry exposure, representing 26% of the value of VPEG's total Private Equity portfolio at 31 December 2016.



VPEG3 COMPLETES \$20M FIRST CLOSE

Vantage Private Equity Growth 3 (VPEG3) successfully completed its First Close on 16 January 2017 with 75 investors committing approximately \$20m of capital to the Fund, allowing VPEG3 to commence its investment program.

VPEG3 is now scheduled to make its first investment commitment during the March 2017 quarter, to a mid-market focused, expansion / buyout fund managed by a highly experienced, top quartile performing, Australian domiciled, private equity fund manager.

With a target raise of \$100m, VPEG3 currently remains open for new investors to participate, with month-end closes planned until the target fund size is reached.

VPEG3 will continue with the same successful investment strategy of its predecessor funds, VPEG & VPEG2 and is focused exclusively on investing in the strongest performing, small to mid-market, expansion & buyout segment of private equity in Australia and New Zealand.

In addition, a number of enhancements have been made to the structure of VPEG3 to improve after tax returns to investors.

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.

To learn more please visit www.vpeg3.info or request further information by emailing info@vantageasset.com or call Vantage on +61 2 8211 0477.

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