

Vantage Private Equity Growth Limited

Quarterly Investor Report — Quarter Ended 30 September 2017

< Diversify
< Grow
< Outperform

Special points of interest:

- **Next Capital II** sell investee company Hire-pool to ROC Capital Partners.
- **Catalyst Buyout Fund 2** announces the sale of assets of investee company Morris Corporation to Sodexo.
- **Advent V** investee Integrated Packaging Group finalises agreement to merge with ASX listed Pro-Pack Limited.
- **With 31 exits completed from the underlying portfolio, VPEG ultimately held interests in 18 underlying company investments at 30 September 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 18 underlying companies at quarter end with 31 exits completed from the portfolio.

As at 30 September 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 July 2017 to 30 September 2017 saw continued activity within VPEG's private equity investment portfolio.

During the period, one underlying company investment was exited from VPEG's private equity investment portfolio and another two exits were announced.

As a result, the remaining number of investments held within VPEG's underlying Private Equity portfolio at quarter end, reduced to 18.

The table to the right provides a summary of the performance of VPEG's portfolio during the September 2017 quarter. As demonstrated, VPEG's NAV increased from \$0.404 to \$0.415 per share.

The increase in VPEG's NAV of \$0.011 per share during the quarter resulted predominantly from the increase in value of underlying portfolio companies and the interest earned on VPEG's cash and fixed interest investments exceeding the expenses for the quarter. *Net Asset Value (NAV) per share post tax

Month Ending	VPEG NAV per Ordinary Share*
30-Sep-17	0.415
31-Aug-17	0.393
31-Jul-17	0.387
30-Jun-17	0.404

Key Portfolio Developments

The period 1 July 2017 to 30 September 2017 saw continued activity within VPEG's Private Equity portfolio, with one exit from Next Capital Fund II ('Next II').

No draw downs were called by underlying funds or paid by VPEG during the quarter.

On 31 August 2017, **Next II** completed the exit of **Hirepool Group Ltd** following the successful recapitalisation and sale to ROC Capital Partners. Next II investors were provided the option of accepting cash or scrip in the acquiring entity as consideration for their share of the investment in Hirepool. VPEG opted for the cash offer and received a total distribution of **\$162,000** from **Next II** in mid-September 2017.

In addition, during August 2017, **Catalyst Buyout Fund 2** announced the asset sale of **Morris Corporation's** contracts division and Collinsville Village to Sodexo. All pre-conditions for sale have been met and the sale was completed on 31 October 2017. VPEG received its share of the first tranche of distribution proceeds from the sale in early November 2017.

Finally, during September 2017, **Advent V** announced that investee company **Integrated Packaging Group** had entered into an agreement to merge with ASX listed Pro-Pac Limited. The merger was completed in early November 2017 with VPEG receiving its share of the cash component of the transaction soon after.

The number of exits from VPEG's underlying portfolio is set to accelerate over the next 12 months, as all underlying fund managers work towards creating an exit path for their remaining investee companies, as each of their funds reach the end of their fund life.

With 31 exits completed, 18 underlying Private Equity company investments remained within VPEG's underlying portfolio as at 30 September 2017.

"Next Capital II sell investee company Hirepool to ROC Capital Partners."

Overview of Recent Completed and Announced Exits

Hirepool – Trade Sale – Next Capital II



On 31 August 2017, Next Capital II completed the divestment of underlying investment company Hirepool to ROC Capital Partners.

In July 2006, Next Capital I invested A\$27 million to purchase 75% of New Zealand equipment rental and plant management services company Hirepool. The total transaction value was A\$139 million. Next Capital II invested a further \$7m in May 2013 to fund the integration of Hirequip, the number two player within the industry.

Hirepool operates from over 50 location across New Zealand providing it's customers with the largest and most diversified fleet of equipment in the country.

Since acquisition, the business has more than doubled earnings through:

- The acquisition of the number two hire company, Hirequip, in May 2013 and full integration into Hirepool to create New Zealand's leading industry hire equipment company. This included implementing cost synergies enhancing asset performance with reduced CAPEX;
- 11 bolt-on accretive acquisitions across New Zealand, adding both geographic and product diversification, for example trucks and commercial vehicle hire (HendersonRentals) and road barricade hire (Barricading Solutions);
- Several greenfield initiatives, including the establishment of Hirepool Energy Division, a product extension into power rental services; and
- Initiating internal control measures to reduce the cost base of the group, particularly around systems, organisational structure, pricing, asset management and procurement.

The sale of Hirepool to ROC Capital Partners was completed in late August 2017 with VPEG's share of the sale proceeds received in early September 2017.

Morris Corporation – Catalyst Buyout Fund 2 – Announced Exit

During August 2017, Catalyst Buyout Fund 2 announced the asset sale of Morris' contracts division and Collinsville Village to Sodexo, a large French facilities management company and one of the leading players in the Australian remote facilities management sector. The acquisition will significantly expand Sodexo's market share in Australia with Morris' presence in the Eastern States completing Sodexo's existing footprint in Western Australia.

In December 2011, Catalyst Buyout Fund 2 acquired a significant shareholding in Morris Corporation. Morris Corporation first commenced operations in 1966 and is now the leading independent provider of remote facilities management and accommodation services. The company specialises in delivering industrial hospitality, including catering, accommodation and facilities management services to the remote resource, construction and defence sectors. Morris also owns and operates a number of remote accommodation camps which cater for fly-in fly-out workers. The company supports a number of key projects throughout Queensland and Western Australia, New South Wales, Northern Territory and within international war zones.

All major contract preconditions were met and the sale was finalised on 31 October 2017.

CBF2 are in the process of reaching an agreement to sell Morris's residual properties with completion expected after the completion of the main asset sale.

This is a solid result given the business has traversed the challenging resources cycle of the last few years. VPEG received its share of the first tranche of distribution proceeds from the sale in early November 2017. The remaining deferred consideration component of the sale proceeds are expected to be paid during 2018 once certain pre-conditions are fulfilled.



"Catalyst Buyout Fund 2 announces the sale of investee company Morris Corporation to Sodexo."

Overview of Completed and Announced Exits (continued)

Integrated Packaging Group – Advent V – Announced Exit

During September 2017, Integrated Packaging Group ('IPG') entered into an agreement to merge with ASX listed, Pro-Pac Limited ('PPG') in a reported \$177.5m deal.

The merger is expected to deliver a complementary blue-chip customer base with no material crossover, and significant cost synergies and cross selling opportunities making the newly merged group the leading player in the flexible and industrial packaging manufacturing and distribution market.

The completion date for the merger was 6th November following certain conditions precedent being met, including the issue of shares to the vendors which were received by Advent V on 26 October 2017 following PPG shareholder approval. Following the merger, Advent V became the second largest shareholder in the merged group.

As reported in the media, the merger was funded through a combination of \$60.0 million Pro-Pac shares issued to the vendors, a \$54.8 million fully underwritten equity raising and \$70.0 million from a new debt facility.

Advent V Executive Chairman, Rupert Harrington has been appointed to the Board of PPG as Non-Executive Director. Other IPG senior management, including John Cerini, the current CEO of IPG, and CFO, Patsy Ch'ng have also taken up senior positions in the merged group.

Following the completion of the merger VPEG received its share of the initial cash component of the transaction in mid-November 2017.



“Advent V investee Integrated Packaging Group finalises agreement to merge with ASX listed Pro-Pack Limited.”

PORTFOLIO STRUCTURE

VPEG's Portfolio Structure – 30 September 2017

The tables and charts below provide information on the breakdown of VPEG's underlying investments as at 30 September 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	
		18.2%	0.0%
		Buyout	63.1%

*As a percentage of VPEG's Investment Portfolio (or Gross Assets). As at 30 September 2017 VPEG's Gross Assets were \$13.2 million pre tax.

During the quarter, VPEG's exposure to Private Equity investments increased from 80.2% to 81.8% with the cash and fixed interest component of the portfolio decreasing from 19.8% to 18.2% of total portfolio value. The increase in VPEG's exposure to private equity investments was due to the overall increase in value of the underlying company investments over and above the impact of the divestment of Hirepool during the period. As a result, the cash and fixed interest component of the portfolio decreased proportionately.

"With 31 exits completed from the underlying portfolio, VPEG ultimately held interests in 18 underlying company investments at 30 September 2017."

Private Equity Portfolio

VPEG, with remaining commitments to six Private Equity funds, ultimately held interests in 18 underlying company investments, at quarter end. VPEG's Private Equity portfolio and commitments, as at 30 September 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	5
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	5
Quadrant Private Equity No. 2	\$500m	2007	Mid Market Expansion / Buyout	\$8.0m	\$7.06m	5	5
Total				\$43.0m	\$38.12m	49	31

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 2017.

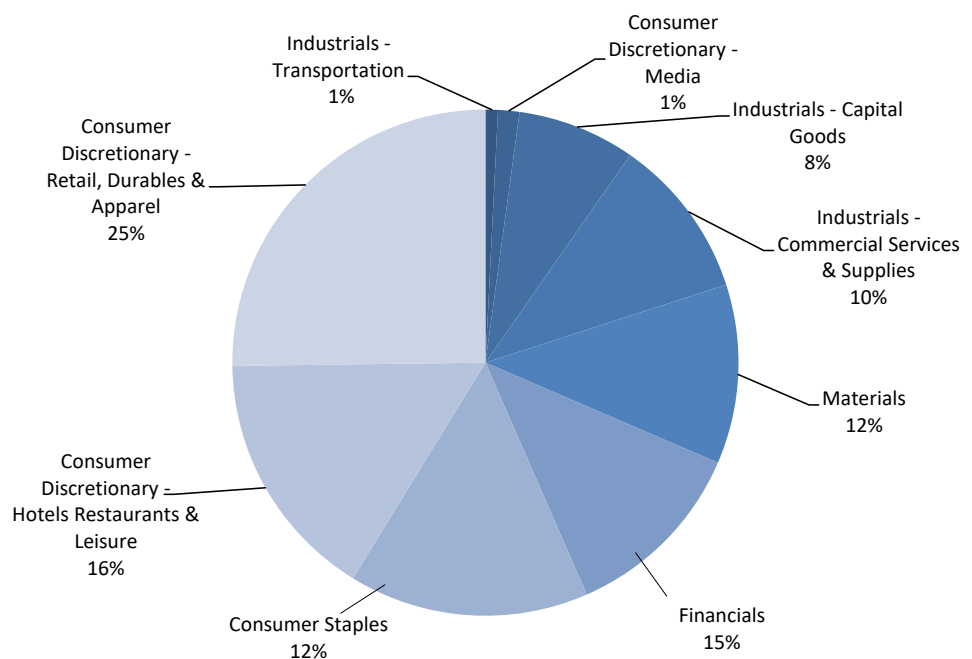
Rank	Investment	Fund	Description	% of VPEG NAV*	Cumulative % of VPEG NAV*
1	Adairs (Value of remaining shares held following IPO in June 15)	Catalyst Buyout Fund 2	Specialty Retailer of Homewares and Soft Furnishings	18.5%	18.5%
2	Scottish Pacific (Value of remaining shares held following IPO in July 16)	Next Capital II	Provider of Debtor Finance Services	12.7%	31.2%
3	Craveable Brands (formerly Quick Service Restaurants Holdings)	Archer Capital Fund 4	Chicken Fast Food Retailing	10.0%	41.2%
4	Integrated Packaging Group	Advent V	Manufacturer & Distributor of Packaging Products	9.5%	50.7%
5	Aussie Farmers Group	Equity Partners III	Fresh Food Home Delivery Business	6.4%	57.1%
6	GroundProbe	Crescent Capital Partners III	Slope Stability Monitoring Systems	5.5%	62.5%
7	Steel-line	Crescent Capital Partners III	Manufacture, Distribution and Installation of Garage Doors	4.3%	66.8%
8	Morris Corporation	Catalyst Buyout Fund 2	Remote Facilities Management & Accommodation Services	2.8%	69.6%
9	V8 Supercars	Archer Capital Fund 4	Motor racing events	1.8%	71.4%
10	Vesco	Catalyst Buyout Fund 2	Manufacturer of frozen meals and meal components	1.7%	73.1%

*As at 30 September 2017 (unaudited) calculated on VPEG's pre tax Net Asset Value (NAV).

Industry Spread of VPEG's Underlying Investments

During the period, VPEG's exposure to the "Industrials—Commercial Services & Supplies Capital" sector decreased from 15% to 10% following the exit of Next Capital II investee, Hirepool in August 2017.

Also during the period, VPEG's exposure to the "Consumer Discretionary—Retail, Durables & Apparel" sector increased from 10% to 25% due to an increase in the value of the underlying investments within the sector. As a result this sector represented VPEG's largest industry exposure, as at 30 September 2017.



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