

QUARTERLY INVESTOR REPORT | QUARTER ENDING
SEPTEMBER 2018

VANTAGE PRIVATE EQUITY GROWTH LIMITED

QUARTERLY REPORT
30 SEPTEMBER 2018

2	SUMMARY
3	PERFORMANCE
4	KEY PORTFOLIO DEVELOPMENTS
4	OVERVIEW OF RECENT EXITS
6	PORTFOLIO STRUCTURE
7	PRIVATE EQUITY PORTFOLIO

TABLE OF CONTENTS

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.

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 lower to mid-market sized companies with enterprise value at initial investment of generally between \$20m and \$500m.

VPEG's investment portfolio is being divested over time and with total initial commitments of \$43m across seven Private Equity funds, it held interests in 8 remaining underlying companies plus two residual holdings in previously exited and now ASX listed companies at quarter end, with 41 exits completed from the portfolio.

As at 30 September 2018, VPEG's remaining 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 and Equity Partners Fund No. 3. VPEG's investment commitment of \$8m to Quadrant Private Equity No. 2 ended upon the termination of that fund in July 2016 following the final exit of its last underlying company investment in June 2016. VPEG's investment commitment of \$4m to Crescent Capital Partners III ended upon the termination of that fund in June 2018 following the final exit of its last portfolio company in March 2018.

PERFORMANCE

SPECIAL POINTS OF INTEREST

NEXT CAPITAL FUND II COMPLETES THE SALE OF ITS FINAL PORTFOLIO COMPANY, DISCOVERY ONSLOW.

CATALYST BUYOUT FUND 2 SELLS 20 MILLION SHARES IN PREVIOUSLY EXITED AND NOW ASX LISTED, ADAIRS, DELIVERING A STRONG DISTRIBUTION TO VPEG.

The period 1 July 2018 to 30 September 2018 saw continued activity across VPEG's remaining private equity investment portfolio.

During the period, the sale of one underlying company was completed and shares of another residual holding in a previously exited and now ASX listed company were sold.

As a result, the remaining number of investments held within VPEG's underlying Private Equity portfolio at quarter end reduced to 8. In addition VPEG ultimately held interests in the listed shares of two residual holdings of previously exited companies.

During the September 2018 quarter, VPEG received total distributions of \$809,367. Distributions were received from Crescent Capital Partners III following the wind up of that fund on 30 June 2018 with a further distribution received from Catalyst Buyout Fund 2, following the sale of shares in previously exited and now ASX listed, Adairs.

The table below provides a summary of the performance of VPEG's Net Asset Value (NAV) during the September 2018 quarter. As demonstrated, VPEG's NAV increased from \$0.245 per share to \$0.252 per share.

The slight increase in VPEG's NAV across the quarter, resulted predominately from the increase in the share price of the remaining shares held by Catalyst Buyout Fund 2 in ASX listed Adairs, across the period, which increased the value of VPEG's share of this residual investment, across the quarter.

Month Ending	VPEG NAV per Ordinary Share*
30-Sep-18	0.252
31-Aug-18	0.241
31-Jul-18	0.245
30-Jun-18	0.245

* Net Asset Value (NAV) per share post tax

KEY PORTFOLIO DEVELOPMENTS

Catalyst sells 20 million shares in previously exited and now ASX listed Adairs, delivering a strong distribution to VPEG

The period 1 July to 30 September 2018 saw continued divestment activity across VPEG's Private Equity investment portfolio, with one underlying company investment exited and further shares sold down in a previously exited portfolio company.

During September, Next Capital Fund II investee Discovery Onslow was sold to its previously exited portfolio company, Discovery Holiday Parks.

Also, during September Catalyst Buyout Fund 2 sold down further shares in previously exited and now ASX listed, Adairs.

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 41 exits completed, 8 underlying Private Equity company investments remained within VPEG's underlying portfolio as at 30 September 2018.

OVERVIEW OF RECENT EXITS



DISCOVERY ONSLOW - NEXT CAPITAL FUND II

In early August 2018, previously exited portfolio company of Next Capital Fund II (Next II), Discovery Holiday Parks, made an offer to acquire the Discovery Onslow facility from Next II. Considering the offer's limited conditionality, attractive multiple of current earnings and the uncertain medium-term demand outlook for the property, the offer was accepted by Next Capital with the proceeds from the sale distributed to Next II investors including VPEG during November 2018.

When combined with the original exit of Discovery Holiday Parks the additional proceeds of the Discovery Onslow exit delivered Next II investors, including VPEG, a strong top quartile return from this investment.

ADAIRS SHARE SELL DOWN – CATALYST BUYOUT FUND 2



During the September quarter, Catalyst Buyout Fund 2 (CBF2) sold 20 million shares in their previously exited portfolio company, via IPO in June 2015, Adairs (ASX: ADH). The sale was achieved via a block trade at \$2.355 per share, yielding total proceeds to the various CBF2 fund entities of ~\$47 million. VPEG's share of the sale proceeds, received during September 2018 was \$680,000 which will be distributed to VPEG shareholders during the December 2018 quarter.

Following the share sell down CBF2 retain 20 million shares, which are held in escrow until 29 October 2019.

While in the period immediately following the sell down, the stock performed well, reaching \$2.60 per share at the end of September 2018, it subsequently moderated sharply to \$1.75 per share by the end of October 2018. This appears in part due to sector wide weakness in specialty retail stocks, coupled with some specific downward pressure on the share price due to a large fund manager selling down a material portion of their stake across October. There is also a more cautious tone amongst retailers and sector analysts in Australia, observing the deterioration in home prices in the eastern capitals, higher petrol prices, political uncertainty and the prospect of higher interest rates, coupled with low wage growth and low growth in the CPI.

Catalyst continue to monitor opportunities to realise their residual stake in Adairs. In October Adairs reported to the market that YTD like for like sales growth was +5%, which represents a significant moderation on the levels observed in FY18. Given seasonality, the most important quarters to the annual result are those that are ahead in FY19.

PORTFOLIO STRUCTURE

With 41 exits completed from the underlying portfolio, VPEG ultimately held interests in 8 underlying company investments at 30 September 2018

VPEG's Portfolio Structure – 30 September 2018

The tables and charts below provide information on the breakdown of VPEG's underlying investments as at 30 September 2018.

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.

During the quarter, VPEG's exposure to Private Equity investments decreased from 87.3% to 74.9% with the cash and fixed interest component of the portfolio increasing from 12.7% to 25.1% of total portfolio value. The decrease in VPEG's exposure to private equity investments, was due to the sale of one company and the share sell down of another company during the quarter, resulting in distributions to VPEG which increased VPEG's cash and fixed interest holdings and thereby reducing the proportion of private equity investments held in the portfolio at the end of the quarter.

Cash	Fixed Interest	Private Equity	
12.5%	12.6%	Later Expansion	8.1%
		Buyout	66.8%

PRIVATE EQUITY PORTFOLIO

Summary of VPEG's Top 10 Underlying Private Equity Investments

The table below provides an overview of the top ten underlying Private Equity investments and residual holdings remaining in VPEG's portfolio as at 30 September 2018.

Rank	Investment	Fund	Description	% of VPEG NAV*	Cumulative % of VPEG NAV*
1	Craveable Brands (formerly Quick Service Restaurants Holdings)	Archer Capital Fund 4	Chicken Fast Food Retailing	16.8%	16.8%
2	Adairs (Value of remaining shares held following IPO in June 15)	Catalyst Buyout Fund 2	Specialty Retailer of Homewares and Soft Furnishings	16.3%	33.2%
3	Dusk	Catalyst Buyout Fund 2	Specialty Retailer of Homewares	8.9%	42.0%
4	Vesco	Catalyst Buyout Fund 2	Manufacturer of frozen meals and meal components	7.7%	49.8%
5	Cirrus Media	Catalyst Buyout Fund 2	Australia's largest business to business media company	5.1%	54.9%
6	Pro-Pac Packaging Limited (merged with Integrated Packaging Group)	Advent V	Manufacturer & Distributor of Packaging Products	4.5%	59.4%
7	V8 Supercars	Archer Capital Fund 4	Motor racing events	4.3%	63.7%
8	Morris Corporation	Catalyst Buyout Fund 2	Remote Facilities Management & Accommodation Services	3.3%	67.0%
9	Bhagwan Marine	Catalyst Buyout Fund 2	Offshore Transport Servicing the Oil & Gas Industries	2.7%	69.7%
10	Trivantage Group (formerly SJ Electrics)	Advent V	Electrical Engineering Contracting & Switchboard Manufacturer	2.1%	71.7%

*As at 30 September 2018 (unaudited) calculated on VPEG's Pre Tax Net Asset Value (NAV).

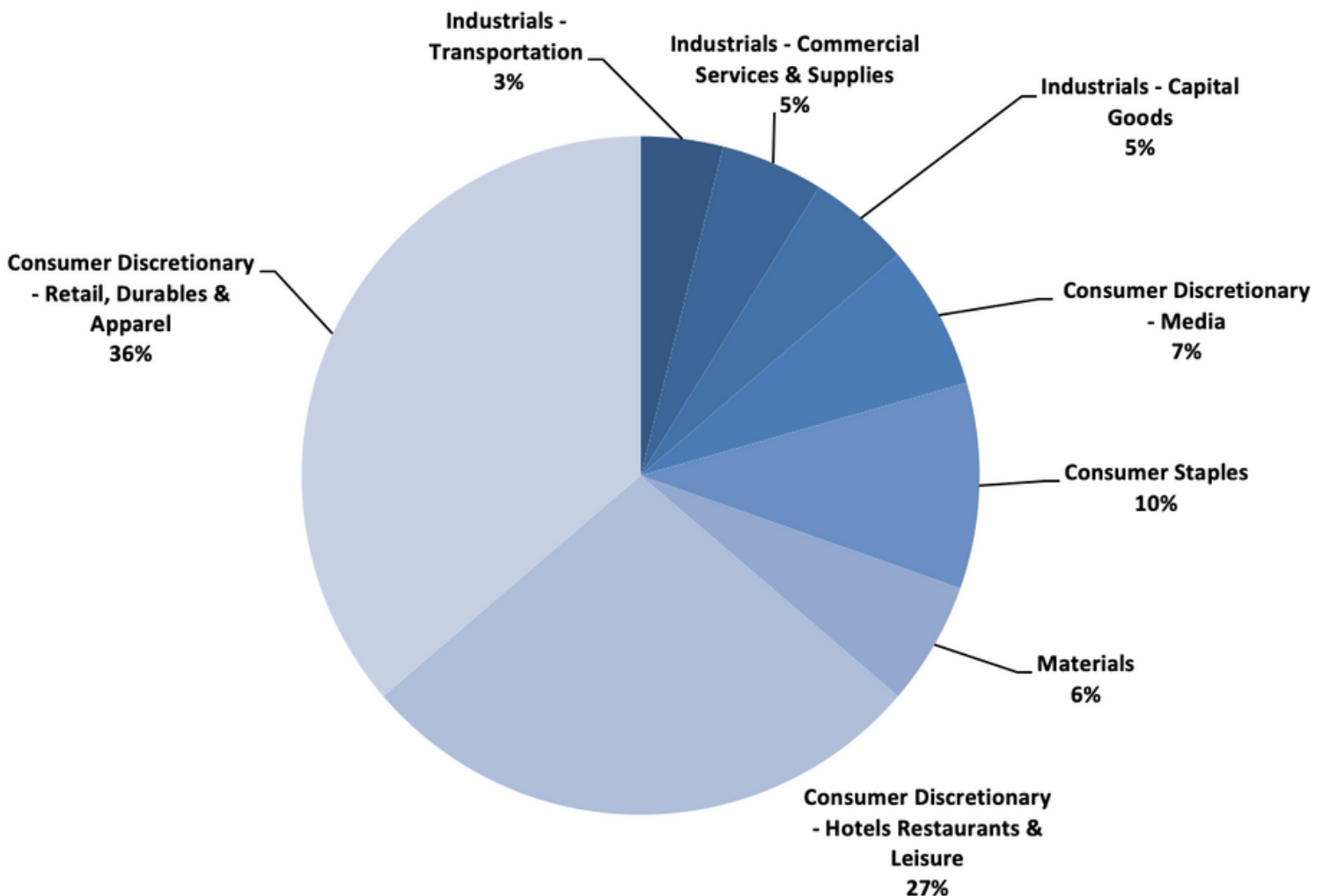
VPEG, with remaining commitments to six Private Equity funds, ultimately held interests in 8 underlying company investments and 2 residual holdings in previously exited / ASX listed companies, at quarter end. VPEG's Private Equity portfolio and commitments, as at 30 September 2018, were as follows:

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	7
Archer Capital Fund 4	\$1,360m	2007	Mid Market Buyout	\$8.0m	\$7.27m	10	8
Catalyst Buyout Fund 2	\$438m	2008	Mid Market Buyout	\$8.0m	\$6.26m	7	3
Crescent Capital Partners III	\$400m	2006	Small to Mid Market Expansion / Buyout	\$4.0m	\$3.95m	6	6
Equity Partners Fund No. 3	\$76m	2007	Small Market Expansion / Buyout	\$4.0m	\$3.69m	6	5
Next Capital II	\$285m	2008	Small to Mid Market Expansion / Buyout	\$7.0m	\$6.06m	7	7
Quadrant Private Equity No. 2	\$500m	2007	Mid Market Expansion / Buyout	\$8.0m	\$7.06m	5	5
Total				\$43.0m	\$38.29m	49	41

Industry Spread of VPEG's Underlying Investments

Following the exit and share sell down across the underlying portfolio during the September quarter, the spread of VPEG's remaining portfolio investments altered across a range of industry segments.

The "Consumer Discretionary - Retail, Durables & Apparel" sector consisting of underlying companies Adairs and Dusk, represented VPEG's largest industry sector exposure at quarter end.





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