

QUARTERLY INVESTOR REPORT | QUARTER ENDING
DECEMBER 2018

VANTAGE PRIVATE EQUITY GROWTH LIMITED

QUARTERLY REPORT
31 DECEMBER 2018

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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 small 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 7 remaining underlying companies plus three residual holdings in previously exited/ASX listed companies at quarter end, with 42 exits completed from the portfolio.

As at 31 December 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

VPEG PAYS \$1,061,191 (\$0.03 PER SHARE) IN DISTRIBUTIONS TO SHAREHOLDERS DURING DECEMBER 2018

ADVENT V ANNOUNCES THE SALE OF INVESTEE COMPANY TRIVANTAGE GROUP VIA A MANAGEMENT BUYOUT, WITH THE TRANSACTION COMPLETED DURING JANUARY 2019

VPEG'S UNDERLYING FUND MANAGERS REPORT THAT THE CONTINUING POSITIVE EXIT ENVIRONMENT WILL LEAD TO THE FINAL WIND DOWN OF VPEG'S REMAINING PORTFOLIO ACROSS 2019

The period 1 October 2018 to 31 December 2018 saw continued activity across VPEG's remaining private equity investment portfolio.

The number of investments held within VPEG's underlying Private Equity portfolio at quarter end, reduced to seven, with one exit completed and an additional exit announced and completed in January 2019. In addition, VPEG ultimately held interests in the listed shares of two residual holdings of previously listed portfolio companies and the escrowed sale proceeds of another previously exited company.

During the December 2018 quarter, VPEG received total distributions of \$227,281. Distributions were received from Catalyst Buyout Fund II following the proceeds received from the dividends paid by the previously exited and ASX listed company Adairs as well as proceeds from the redemption of Morris Corporation preference shares. Distributions were also received from Next Capital Fund II representing the remaining proceeds of Discovery Onslow sale to Sunsuper as reported last quarter and Equity Partners Fund 3 as a result of the further proceeds from the sale of E-Co Products (HRV).

Following the receipt of these distributions throughout the quarter, VPEG paid a total of \$1,061,191 in distributions, equating to \$0.03 per share, to VPEG shareholders on 17 December 2018.

The table to the right provides a summary of the performance of VPEG's Net Asset Value (NAV) during the December 2018 quarter. As demonstrated, VPEG's NAV reduced from \$0.252 per share to \$0.183 per share.

The slight decrease in VPEG's NAV across the quarter, resulted predominately from the payment of \$0.03 per share in distribution to all VPEG shareholders during December 2018.

Month Ending	VPEG NAV per Ordinary Share*
31-Dec-18	0.183
30-Nov-18	0.213
31-Nov-18	0.214
30-Sep-18	0.252

* Net Asset Value (NAV) per share post tax

KEY PORTFOLIO DEVELOPMENTS

ADVENT V ANNOUNCES THE SALE OF INVESTEE COMPANY TRIVANTAGE GROUP VIA A MANAGEMENT BUYOUT, WITH THE TRANSACTION COMPLETED DURING JANUARY 2019

The period 1 October 2018 to 31 December 2018 saw continued divestment activity across VPEG's Private Equity investment portfolio.

In November 2018, Next Capital Fund II completed the sale of Discovery Onslow to Discovery Holiday Parks. (As reported in the VPEG quarterly Report September 2018).

During December 2018, Advent V announced that underlying investee Trivantage Group was to be sold by way of a management buyout, led by the executive chairman, with completion in early January 2019.

The number of exits from VPEG's underlying portfolio is set to accelerate over the course of 2019, 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 42 exits completed, 7 underlying Private Equity company investments remained within VPEG's underlying portfolio as at 31 December 2018.

OVERVIEW OF RECENT EXIT

TRIVANTAGE GROUP PTY LTD – NEXT CAPITAL FUND II



On 28 August 2008 Advent V invested in Trivantage Group (Trivantage) a leading electrical engineering, contracting and switchboard manufacturing company with a national footprint of offices in Melbourne, Sydney, Brisbane, Adelaide and Perth.

The Group was formed through the merger of 3 separate businesses: SJ Electric, LADD Electric and SEME Electrical. SJ Electric's strengths lay in switchboard manufacturing, refrigeration and service in VIC and QLD, SEME excelled in security and resources sector work in WA, and LADD's areas of strength included renewable energy, mechanical services, water treatment and switchboards.

Trivantage Group employs over 600 staff and provides services to a wide range of customers in the industrial, commercial and government sectors. Its primary focus is on industrial and commercial installations, switchboard design and manufacture, automation; refrigeration and air conditioning systems, telecommunication and data installations, and 24-hour breakdown services.

Advent's investment allowed some existing shareholders to realise a portion of their investment in Trivantage and provided the business with ongoing access to capital for further acquisition opportunities.

Trivantage focuses on business sectors where it can achieve margins that are above the industry norm; these include water treatment and refrigeration. The Business' competitive advantage is multi-faceted and stems from its focus on highly technical industry segments, coupled with other supporting factors, including a highly skilled workforce, strong staff training and retention programs, along with continuous product development.

In December 2018, Advent announced the sale of Trivantage by way of management buyout, led by the executive chairman, with the sale completed in early January 2019. The sale will represent a clean exit for Advent V Funds, with limited warranties and indemnities provided by selling shareholders.

The proceeds of the sale were distributed to Advent V investees including VPEG during January 2019, which will be distributed to VPEG shareholders during the first half of 2019.

PORTFOLIO STRUCTURE

With 42 exits completed from the underlying portfolio, VPEG ultimately held interests in 7 underlying company investments at 31 December 2018

VPEG's Portfolio Structure – 31 December 2018

The tables and charts below provide information on the breakdown of VPEG's underlying investments as at 31 December 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 increased from 74.9% to 83.5% with the cash and fixed interest component of the portfolio decreasing from 25.1% to 16.5% of the total portfolio value. The decrease in VPEG's exposure to cash and fixed interest investments, was due to the payment of \$1,061,191 in distributions to all Shareholders during the quarter, thereby increasing the proportion of private equity investments held in the portfolio at the end of the quarter.

Cash	Fixed Interest	Private Equity	
0.2%	16.3%	Later Expansion	8.2%
		Buyout	75.3%

PRIVATE EQUITY PORTFOLIO

VPEG, with remaining commitments to five Private Equity funds, ultimately held interests in 7 underlying company investments and 3 residual holdings in previously exited / ASX listed companies, at quarter end. VPEG's Private Equity portfolio and commitments, as at 31 December 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	8
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	42

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 31 December 2018. As the sale of Advent V investee Trivantage Group was not completed until January 2019, it remained within the portfolio at 31 December 2018.

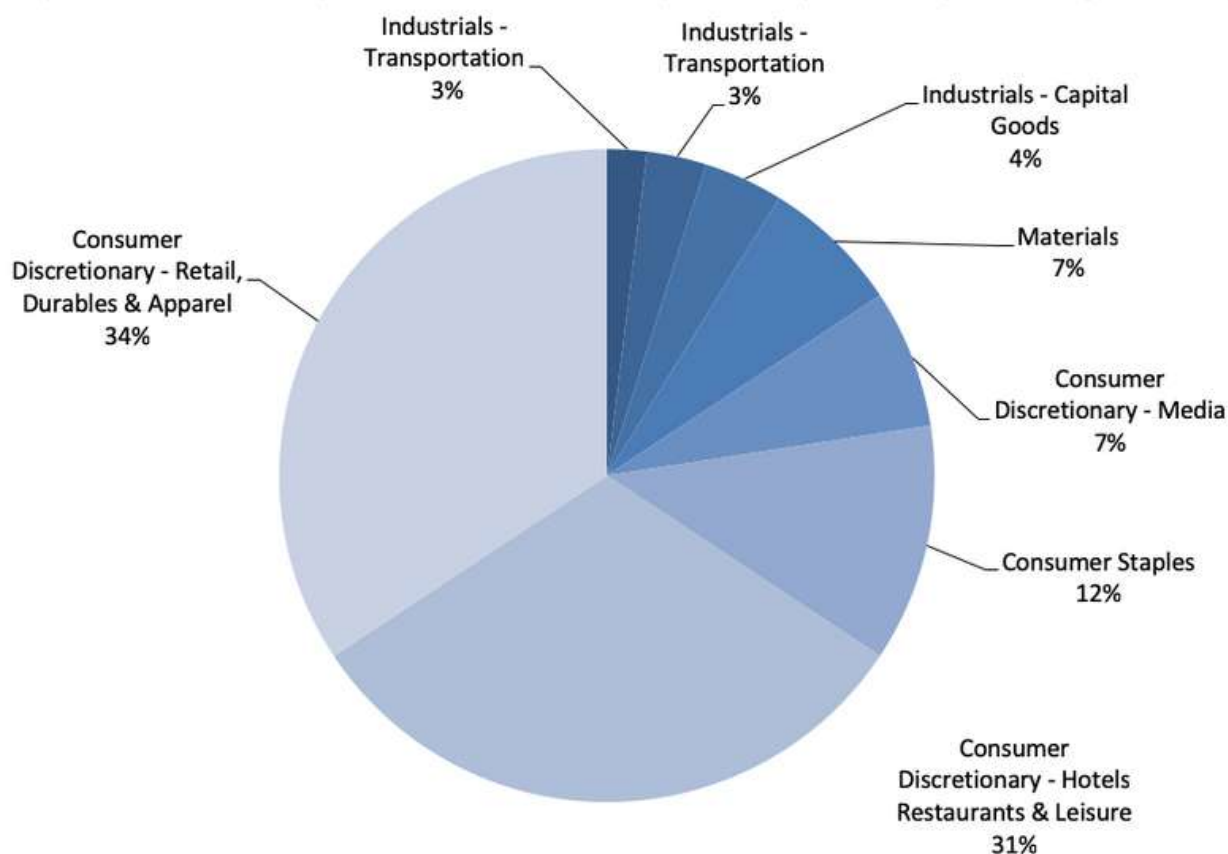
Rank	Investment	Fund	Description	% of VPEG NAV*	Cumulative % of VPEG NAV*
1	Craveable Brands (formerly Quick Service Restaurants Holdings)	Archer Capital Fund 4	Chicken Fast Food Retailing	22.4%	22.4%
2	Adairs (Value of remaining shares held following IPO in June 15)	Catalyst Buyout Fund 2	Specialty Retailer of Homewares and Soft Furnishings	15.3%	37.6%
3	Dusk	Catalyst Buyout Fund 2	Specialty Retailer of Homewares	13.3%	50.9%
4	Vesco	Catalyst Buyout Fund 2	Manufacturer of frozen meals and meal components	10.6%	61.5%
5	Cirrus Media	Catalyst Buyout Fund 2	Australia's largest business to business media company	6.0%	67.5%
6	Pro-Pac Packaging Limited (merged with Integrated Packaging Group)	Advent V	Manufacturer & Distributor of Packaging Products	5.7%	73.2%
7	V8 Supercars	Archer Capital Fund 4	Motor racing events	5.1%	78.3%
8	Bhagwan Marine	Catalyst Buyout Fund 2	Offshore Transport Servicing the Oil & Gas Industries	2.3%	80.6%
9	Trivantage Group (formerly SJ Electrics)	Advent V	Electrical Engineering Contracting & Switchboard Manufacturer	2.2%	82.7%
10	HRV Group	Equity Partners III	Franchise based Provider of Positive Pressure Home Ventilation Systems	1.5%	84.2%

*As at 31 December 2018 (unaudited) calculated on VPEG's Pre Tax Net Asset Value (NAV).

Industry Spread of VPEG's Underlying Investments

Following the completion of the sale of Next II investee, Discovery Onslow, as well as other revaluations across the underlying portfolio during the December 2018 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 of 34% at quarter end.



MARKET & ECONOMIC CONDITIONS

Strong economic growth continues in both Australia and New Zealand, interest rates remain low and transactions in the lower to mid-market remains steady. Evidence suggest that the Private Equity industry as a whole is reporting very strong returns for its investors during this highly volatile time in global markets. Strong liquidity is being seen, with robust proceeds being distributed back to investors.

The outlook for exits within the VPEG portfolio remains positive with good demand for portfolio companies coming from a variety of sources. The only slight negative is the IPO market, where the level of demand is clearly diminished and anything that looks even slightly marginal is either re priced or withdrawn. Given increasing levels of volatility on world equity markets this situation looks likely to continue for some time. However, with VPEG's underlying funds operating in the lower to mid-market segment, the opportunity for exit via a trade sale or secondary sale to a larger Private Equity fund tends to be the preferred method of exit for portfolio companies across Vantage managed funds.

On a macro-economic level, a slight slowing of the economies in Australia and New Zealand may make things more challenging in the medium term but industry growth rates remain strong when compared to most of the OECD. Australian interest rates look set to remain at the current levels for all of 2019, and recent suggestions are that the next move by the RBA could be down rather than up if the real estate market weakens any further.

In conclusion, VPEG's underlying fund managers report that 2019 will be the year to complete the sale of the seven remaining companies within their portfolios with a continuing positive exit environment leading to the final wind down of VPEG's remaining portfolio across 2019.



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