

QUARTERLY INVESTOR REPORT | QUARTER ENDING  
MARCH 2019

# VANTAGE PRIVATE EQUITY GROWTH LIMITED

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QUARTERLY REPORT  
31 MARCH 2019

2	SUMMARY
3	PERFORMANCE
4	KEY PORTFOLIO DEVELOPMENTS
5	PORTFOLIO STRUCTURE
6	PRIVATE EQUITY PORTFOLIO
8	MARKET & ECONOMIC CONDITIONS

# 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 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 two residual holdings in previously exited and now ASX listed companies at quarter end, with 42 exits completed from the portfolio.

As at 31 March 2019, 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. VPEG's investment commitment of \$7m to Next Capital II will end upon the termination of that fund in June 2019 with the payment of a small retention amount following the exit of its last investment in October 2018.



# PERFORMANCE

## SPECIAL POINTS OF INTEREST

ADVENT V COMPLETES THE SALE OF PORTFOLIO COMPANY, TRIVANTAGE GROUP, BY WAY OF MANAGEMENT BUYOUT

CATALYST BUYOUT FUND 2 INVESTEE, VESCO FOODS, WINS A MAJOR FOOD SUPPLY CONTRACT WITH ONE OF AUSTRALIA'S LARGEST GROCERY CHAINS

WITH 42 EXITS COMPLETED FROM THE UNDERLYING PORTFOLIO, VPEG ULTIMATELY HELD INTERESTS IN 7 UNDERLYING COMPANY INVESTMENTS AND 3 RESIDUAL INVESTMENTS AT 31 MARCH 2019

The period 1 January 2019 to 31 March 2019 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, remained at seven. 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 March 2019 quarter, VPEG received total distributions of \$82,683 from Advent V following the completion of the sale of Trivantage Group Pty Ltd in January 2019.

Also, during the quarter \$120,000 was called from VPEG by Catalyst Buyout Fund 2 for a follow-on investment into portfolio company Vesco Foods, following their success in winning a major tender for a food supply contract to one of Australia's major grocery chains.

The table to the below provides a summary of the performance of VPEG's Net Asset Value (NAV) during the March 2019 quarter. As demonstrated, VPEG's NAV reduced slightly from \$0.183 per share to \$0.175 per share.

The slight decrease in VPEG's NAV across the quarter, resulted predominately from revaluations across the portfolio of underlying companies as at 31 March 2019.

Month Ending	VPEG NAV per Ordinary Share*
31-Mar-19	0.175
28-Feb-19	0.178
31-Jan-19	0.180
31-Dec-18	0.183

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

# KEY PORTFOLIO DEVELOPMENTS

The period 1 January 2019 to 31 March 2019 saw one follow on investment into an existing company, Catalyst's Vesco Foods and the completion of one exit from the portfolio, Advent V's Trivantage Group, which was announced during the December 2018 quarter. Advent retains a small residual stake in the new Trivantage Group entity, in the form of Redeemable Preference Shares that will be exited across the next 12 months.

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 March 2019.

# PORTFOLIO STRUCTURE

With 42 exits completed from the underlying portfolio, VPEG ultimately held interests in 7 underlying company investments at 31 March 2019

## VPEG's Portfolio Structure – 31 March 2019

The tables and charts below provide information on the breakdown of VPEG's underlying investments as at 31 March 2019.

### 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 83.5% to 90.2% with the cash and fixed interest component of the portfolio decreasing from 16.5% to 10.0% of the total portfolio value.

The reduction in cash and increase in private equity investments resulted predominately from more capital being called into the follow-on investment than was received in distributions from the completed exit. Further cash was also used to fund VPEG's operating expenses across the quarter.

Cash	Fixed Interest	Private Equity	
0.38%	9.60%	Later Expansion	5.14%
		Buyout	84.88%

# PRIVATE EQUITY PORTFOLIO

VPEG, with remaining commitments to four 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 March 2019, 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	\$6.38m	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
<b>Total</b>				<b>\$43.0m</b>	<b>\$38.41m</b>	<b>49</b>	<b>42</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 and residual holdings remaining in VPEG's portfolio as at 31 March 2019.

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	24.9%	24.9%
2	Dusk	Catalyst Buyout Fund 2	Specialty Retailer of Homewares	15.9%	40.7%
3	Adairs (Value of remaining shares held following IPO in June 15)	Catalyst Buyout Fund 2	Specialty Retailer of Homewares and Soft Furnishings	15.4%	56.1%
4	Vesco	Catalyst Buyout Fund 2	Manufacturer of frozen meals and meal components	14.8%	70.9%
5	Cirrus Media	Catalyst Buyout Fund 2	Australia's largest business to business media company	6.5%	77.4%
6	V8 Supercars	Archer Capital Fund 4	Motor racing events	5.7%	83.1%
7	Pro-Pac Packaging Limited (merged with Integrated Packaging Group)	Advent V	Manufacturer & Distributor of Packaging Products	4.6%	87.7%
8	HRV Group	Equity Partners III	Franchise based Provider of Positive Pressure Home Ventilation Systems	1.8%	89.5%
9	AHM	Equity Partners 3	Supplier of gardening, camping, outdoor and lifestyle products	0.8%	90.3%
10	Trivantage Group (formerly SJ Electrics)	Advent V	Electrical Engineering Contracting & Switchboard Manufacturer	0.3%	90.7%

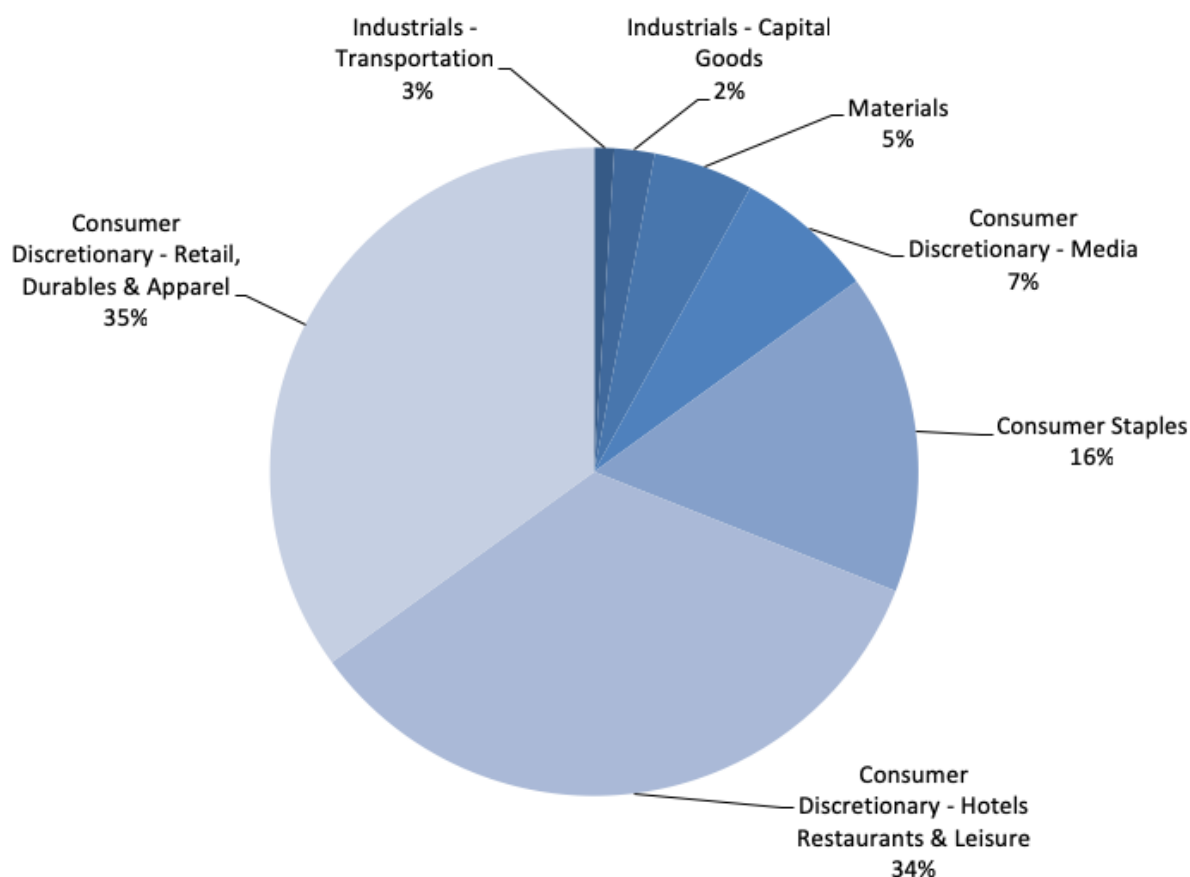
\*As at 31 March 2019 (unaudited) calculated on VPEG's Pre Tax Net Asset Value (NAV).

## Industry Spread of VPEG's Underlying Investments

Following the completion of the sale of Advent V investee, Trivantage Group, as well as other revaluations across the underlying portfolio during the March 2019 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 35% at quarter end.

The "Consumer Discretionary - Hotels Restaurants & Leisure" sector consisting of underlying companies Craveable Brands and V8 Supercars, represented VPEG's second largest industry sector exposure at 34% at quarter end.





# MARKET & ECONOMIC CONDITIONS

On a macro-economic level, the economies of Australia and New Zealand are both slowing from their recent highs but are still growing at rates higher than many developed countries. Clearly some sectors of the economies will slow more than others and accordingly industry focus will become more important than in the immediate past.

The outlook for exits within the VPEG portfolio is positive with good demand coming from a variety of sources. Liquidity is available by way of sales to trade buyers, secondaries to buyout firms, and through the public markets. The IPO market remains the least attractive strategy at the current time reflecting in part the fact that the current equity cycle has been going for some time. Anecdotal evidence would suggest that there continues to be a steady stream of exits at good multiples, which have generated good returns for fund investors. 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, which will lead to the final wind down of VPEG's remaining portfolio across 2019 and early into 2020.



# CONTACT DETAILS

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