

# VANTAGE PRIVATE EQUITY GROWTH LIMITED

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QUARTERLY REPORT  
30 JUNE 2019

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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, including two ASX listed, companies at quarter end, with 42 exits completed from the portfolio.

As at 30 June 2019, VPEG's remaining investment commitments included, \$8m to Archer Capital Fund 4 and Catalyst Buyout Fund 2 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 ended upon termination of that fund in June 2019 with the final distributions received following their final exit of its last portfolio company in November 2018.



## SPECIAL POINTS OF INTEREST

ARCHER CAPITAL FUND 4 ANNOUNCES THE SALE OF PORTFOLIO COMPANY CRAVEBALE BRANDS TO PAG ASIA CAPITAL, WITH VPEG'S SHARE OF THE PROCEEDS RECEIVED DURING AUGUST 2019

WITH 42 EXITS COMPLETED FROM THE UNDERLYING PORTFOLIO, VPEG ULTIMATELY HELD INTERESTS IN 7 UNDERLYING COMPANY INVESTMENTS AND 3 RESIDUAL INVESTMENTS AT 30 JUNE 2019.

VPEG4 NOW OPEN FOR INVESTMENT WITH A REBATE OF THE FIRST YEAR'S MANAGEMENT FEES FOR EXISTING VANTAGE FUND INVESTORS APPLYING TO INVEST PRIOR TO 30 SEPTEMBER 2019

# PERFORMANCE

The period 1 April 2019 to 30 June 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 June 2019 quarter, VPEG received total distributions of \$194,115 from Next Capital II and Equity Partners Fund 3 following the finalisation of proceeds from previously exited underlying portfolio companies Discovery Onslow and HRV Group.

The table below provides a summary of the performance of VPEG's Net Asset Value (NAV) during the June 2019 quarter. As demonstrated, VPEG's NAV reduced from \$0.175 per share to \$0.150.

The decrease in VPEG's NAV across the quarter, resulted predominately from a reduction in the holding value of some underlying portfolio companies as well as residual holdings in previously exited and now listed investments as at 30 June 2019. As an example, a portion of the reduction in VPEG's NAV was attributed to the approximate 17% drop in the share price of the now ASX listed Adairs during the quarter from \$1.71 at 1 April 2019 to \$1.42 at 30 June 2019. This impacted VPEG's NAV as underlying fund, Catalyst Buyout Fund 2 currently hold 18,405,588 in Adair's following its IPO in June 2015, with those shares held in escrow and unable to be sold until at least September 2019.

Month Ending	VPEG NAV per Ordinary Share*
30-Jun-19	0.150
31-May-19	0.153
30-Apr-19	0.177
31-Mar-19	0.175

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

# KEY PORTFOLIO DEVELOPMENTS

The period 1 April 2019 to 30 June 2019 saw the termination of one underlying fund with the finalisation of proceeds being received by VPEG during the period.

The number of exits from VPEG's underlying portfolio is set to accelerate over the course of 2019 and into 2020, 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.

During June 2019, media reported that Archer Capital Fund 4 were in discussions with PAG Asia Capital, a Hong Kong-based private equity firm, about a possible sale of investee company Craveable Brands in a media reported \$450 million-plus deal.

In early July 2019, Archer Capital advised that they had signed an agreement to sell Craveable Brands to PAG Asia Capital with the sale completed in early August 2019. As a result, VPEG received its share of the sale proceeds from this exit during August 2019, which will be distributed to all VPEG shareholders during November / December 2019, following the completion and sign off of VPEG's FY19 audited accounts on 31 October 2019. Further information about the Craveable Brands exit will be provided in the VPEG Quarter Report September 2019.

With 42 exits completed, 7 underlying Private Equity company investments remained within VPEG's underlying portfolio as at 30 June 2019.

# PORTFOLIO STRUCTURE

With 42 exits completed from the underlying portfolio, VPEG ultimately held interests in 7 underlying company investments at 30 June 2019

## VPEG's Portfolio Structure – 30 June 2019

The tables and charts below provide information on the breakdown of VPEG's underlying investments as at 30 June 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 decreased from 90.2% to 89.25% with the cash and fixed interest component of the portfolio increasing from 10.0% to 10.75% of the total portfolio value.

The reduction in private equity investments and the increase cash was due to the final realised proceeds from Next Capital II being received by VPEG during the quarter.

Cash	Fixed Interest	Private Equity	
1.73%	9.02%	Later Expansion	3.94%
		Buyout	85.31%

# 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 30 June 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	\$6.18m	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>\$38.53m</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 30 June 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	24.0%	24.0%
2	Vesco	Catalyst Buyout Fund 2	Manufacturer of frozen meals and meal components	22.7%	46.7%
3	Dusk	Catalyst Buyout Fund 2	Specialty Retailer of Homewares	14.8%	61.5%
4	Adairs (Value of remaining shares held following IPO in June 15)	Catalyst Buyout Fund 2	Specialty Retailer of Homewares and Soft Furnishings	12.4%	73.9%
5	Cirrus Media	Catalyst Buyout Fund 2	Australia's largest business to business media company	5.9%	79.8%
6	V8 Supercars	Archer Capital Fund 4	Motor racing events	6.0%	85.8%
7	Pro-Pac Packaging Limited (merged with Integrated Packaging Group)	Advent V	Manufacturer & Distributor of Packaging Products	3.7%	89.5%
8	AHM	Equity Partners 3	Supplier of gardening, camping, outdoor and lifestyle products	0.8%	90.3%
9	Morris Corporation	Catalyst Buyout Fund 2	Remote Facilities Management & Accommodation Services	0.5%	90.9%
10	Trivantage Group (formerly SJ Electrics)	Advent V	Electrical Engineering Contracting & Switchboard Manufacturer	0.3%	91.2%

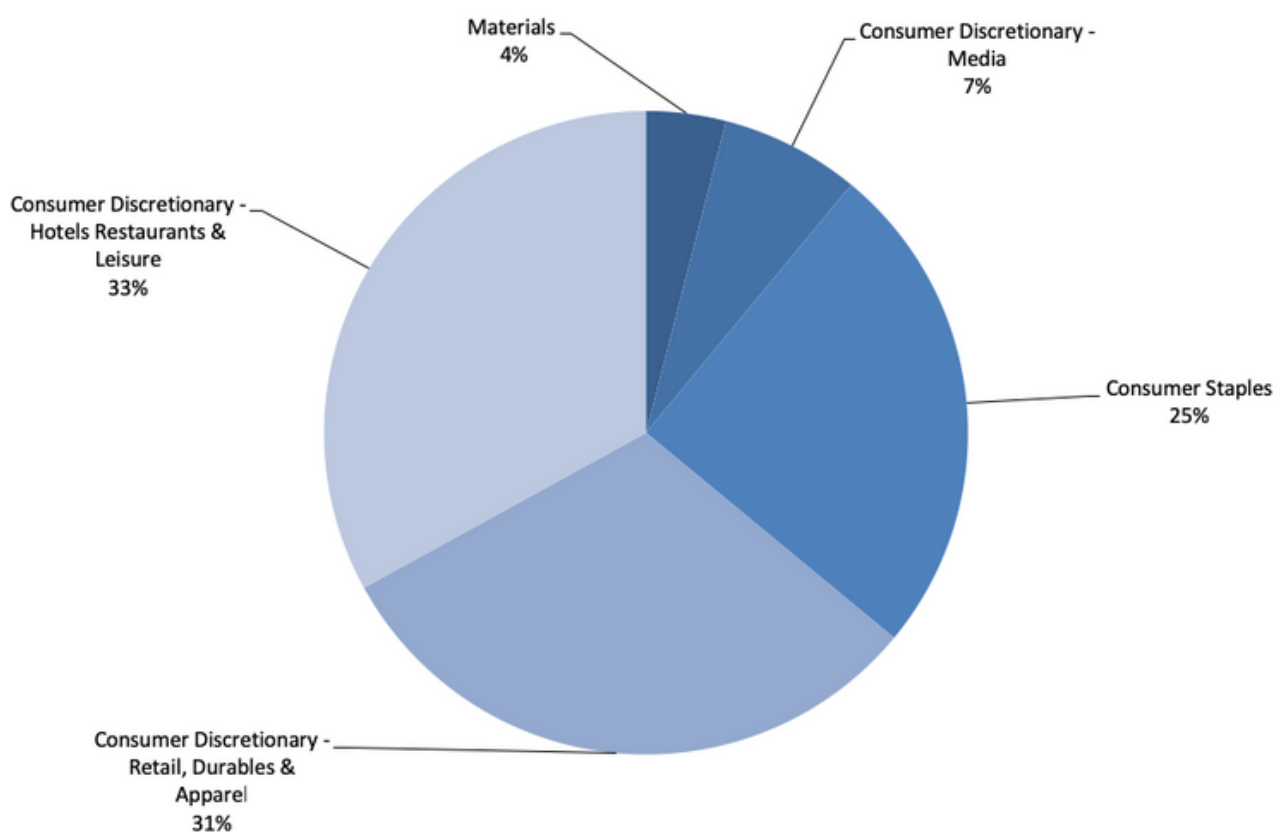
\*As at 30 June 2019 (unaudited) calculated on VPEG's Pre Tax Net Asset Value (NAV).

## Industry Spread of VPEG's Underlying Investments

Due to the reduction in the share price of Adairs across the quarter, the “Consumer Discretionary - Retail, Durables & Apparel” industry sector decreased from 35% to 31%.

Due to this and other revaluations across the underlying portfolio during the June 2019 quarter, the spread of VPEG's remaining portfolio investments altered across a range of industry segments.

The “Consumer Discretionary - Hotels Restaurants & Leisure” industry sector consisting of underlying companies Craveable Brands and V8 Supercars, represented VPEG's largest industry sector exposure at 33% at quarter end.





# VPEG4 NOW OPEN

## Exclusive Offer For Existing Vantage Fund Investors

Vantage has now commenced raising capital for Vantage Private Equity Growth 4 (VPEG4). VPEG4 is an Australian Private Equity Fund of Funds established to provide investors with access to the strong returns generated by the top performing Later Expansion and Buyout Private Equity Funds in Australia. VPEG4 will continue with the same successful investment strategy adopted by Vantage's previous funds, which at 30 June 2019 had investments across 22 Australian Private Equity Funds, who in turn had invested in 115 companies across multiple industry sectors and had exited (sold) 49 of these investments generating a gross 2.6 X multiple of invested capital. VPEG4 is targeting to deliver a net Internal Rate of Return (IRR) of 20% p.a. to investors over a four to six year investment timeframe.

Existing Vantage fund investors who apply to invest in VPEG4 prior to 30 September 2019 will receive a full rebate of the first year's management fee applicable to their investment in VPEG4, equating to 1.25% of their total investment commitment to VPEG4.

If you would like to learn more about VPEG4 or would like to receive a call or request a meeting with a Vantage executive to discuss VPEG4 please visit [www.vpeg4.info](http://www.vpeg4.info) or call +61 2 8211 0477 or email [info@vantageasset.com](mailto:info@vantageasset.com).

Applications to invest in VPEG4 can also be made securely online by visiting [www.vpeg4.info](http://www.vpeg4.info) and click on the "Invest Now" tab in the menu bar.

## MARKET & ECONOMIC CONDITIONS

During June 2019 the Australian Bureau of Statistics (ABS) released the GDP figures for the March quarter. These showed that the Australian economy expanded by 0.4% in the first quarter of 2019, accelerating from 0.3% in the December quarter but missing expectations of 0.5%. This brought annual growth to 1.8% which is below the long-run average. Unemployment remains low but edged higher to 5.2% and inflation was below the target range at 1.3%, predominantly caused by low wages growth. Private debt levels remain relatively high in Australia, while net government debt is at 28% of GDP, one of the lowest amongst developed economies.

In the local Private Equity market, the opportunities for exits continue to remain plentiful. Liquidity is available by sales to trade buyers, other private equity firms specialising in bigger transactions, and through the public markets. Of the three routes, the IPO market remains highly selective but genuine growth outlooks are being rewarded with high price multiples. Publicly available information, as well as recent sales from the underlying portfolio of Vantage Private Equity Growth 2, indicate that private equity deals exited in Australia across the first half of calendar year 2019 have generated strong returns for investors.

As a result, Vantage is confident that VPEG's remaining underlying portfolio will be exited in the near term delivering further distributions to investors as the Fund is finalised during 2020.



# CONTACT DETAILS

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