VPEG

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Vantage Private Equity Growth Limited
Quarterly Report
31 March 2020

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SUMMARY

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 invested its Investment Portfolio into Australian based Private Equity funds who in turn were 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 four remaining underlying companies plus three residual holdings in previously exited companies, of which one is an ASX listed company. As a result, 45 exits have been completed from VPEG's portfolio at quarter end.

As at 31 March 2020, VPEG's remaining investment commitments included, $8m to Archer Capital Fund 4 and Catalyst Buyout Fund 2 and $4m to Advent V. 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. VPEG's investment commitment of $4m to Equity Partners Fund No. 3 ended upon the sale of their last portfolio company during the September 2019 quarter with the residual proceeds of the fund received by VPEG during the December 2019 quarter.

SPECIAL POINTS OF INTEREST

Catalyst Buyout Fund 2 sell their remaining shareholding in ASX listed Adairs via a Block Trade at $2.57 / share on 21 February 2020, with VPEG's share of the sale proceeds received during March 2020

VPEG's Board & Shareholders approve a Return of Capital distribution of $799,431 (2.26c / share) with payment made to all VPEG Shareholders during April 2020

A majority of VPEG's underlying portfolio companies have reported a net benefit or a low impact to their revenues as a result of the current COVID-19 operating environment

Month Ending	VPEG NAV per Ordinary Share*
31-Mar-20	0.116
29-Feb-20	0.132
31-Jan-20	0.132
31-Dec-19	0.132

* Net Asset Value (NAV) per share post tax

PERFORMANCE

The period 1 January 2020 to 31 March 2020 saw continued activity across VPEG's remaining Private Equity portfolio with the sale of the remaining shares in a previously exited and now ASX listed portfolio company, completed during the period.

As a result, the number of private equity owned investments held within VPEG's underlying portfolio at quarter end was four. In addition, VPEG ultimately held interests in one earlier exited, ASX listed portfolio company and two other residual holdings from previously exited portfolio companies, at quarter end.

During the March 2020 quarter, VPEG received a distribution of $800,000 from Catalyst Buyout Fund 2 following the sale of their remaining shares in ASX listed company Adairs, during February 2020.

As a result, following the shareholder approval at a General Meeting of Shareholders held on 25 March 2020, VPEG paid a total of $799,431 ($0.0226 per share) as a Return of Capital distribution to all VPEG shareholders on 9 April 2020.

The table to the left provides a summary of the performance of VPEG's Net Asset Value (NAV) during the March 2020 quarter. As demonstrated, VPEG's NAV decreased from $0.132 per share to $0.116 per share.

The decrease in VPEG's NAV across the quarter, resulted predominately from the reduction in unrealised value of the four remaining underlying companies in VPEG's portfolio due to the impact of COVID-19 on their operations.

VPEG's underlying Private Equity fund managers' report that whilst they expect each of their portfolio companies is likely to return to its pre-crisis maintainable earnings, the timing and the extent of recovery remain uncertain. As a result, they do not expect that these reductions in unrealised values will be permanent but rather reflect the current temporary deterioration in trading conditions resulting from the COVID-19 imposed restrictions on the economy.

Please refer to page 10 in this report under the heading "VPEG COVID-19 Portfolio Update" for further detail about the valuation process undertaken by underlying funds within VPEG's portfolio at the March 2020 quarter end.

KEY PORTFOLIO DEVELOPMENTS

The period 1 January 2020 to 31 March 2020 saw the sale of the residual shareholding of a previously exited and now ASX listed portfolio company, with the sale proceeds being received by VPEG during the quarter.

During February 2020, Adairs Limited (ASX: ADH) provided shareholders with the company performance results for the first half of FY20. Following the Adairs announcement which reported strong sales and profitability for the period, Adairs Share price increased by 8%. As a result, Catalyst Buyout Fund 2 (CBF2) sold their remaining 11% shareholding in Adairs via a block trade through JP Morgan Chase upon market close on Friday 21 February 2020. Following the sale, CBF2 distributed a total of $800,000 to VPEG on 2 March 2020 representing its share of the net sale proceeds.

Following the receipt of this distribution, on 3 March 2020 the VPEG board unanimously resolved to accept a proposal for a Return of Capital distribution, totaling $799,431 ($0.0226 per share), to be paid to shareholders during April 2020.

Subsequently, at the General Meeting of VPEG shareholders held on 25 March 2020, 100% of shareholders in person or by proxy, voted in favour of the resolution for the equal share capital reduction of 2.26c per ordinary share, which was subsequently paid to each shareholder on 9 April 2020.

With 45 exits completed, 4 underlying Private Equity company investments remained within VPEG's underlying portfolio as at 31 March 2020.

All remaining companies in VPEG's underlying portfolio are in the process of being exited over the course of the 2020 calendar year, as 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 throughout 2020.

While the longer-term financial implications of COVID-19 are still unknown, the volatility in global markets has already created a re-rating of risk amongst market participants. Arguably these events are signifying the beginning of a new cycle in financial markets which is likely to delay the individual sale of the remaining companies in VPEG's underlying portfolio for the time being.

As such, the absolute priority of VPEG's remaining underlying fund managers at this critical time is to seek to reduce any negative impact caused by the disruption of COVID-19 on the operations of each portfolio company to ultimately preserve value across the portfolio until the economy stabilises and the sale of each remaining portfolio company can be undertaken.

In addition, Vantage and the VPEG board are assessing a number of other alternatives to divest VPEG's portfolio with a view to expediting the ultimate wind up of VPEG across 2020.

OVERVIEW OF RECENT EXIT

ADAIRS - CATALYST BUYOUT FUND 2

On 21 February 2020, Adairs Limited (ASX: ADH) provided shareholders with the company results for the first half of FY20. During the period 1 July 2019 to 31 December 2019 the company reported strong sales and profitability, accompanied with a number of key strategic initiatives including the acquisition of Mocka (December 2019) and the finalisation of the company's domestic supply chain strategy.

The market responded positively to this news, with the ADH Share Price increasing by 8% to $2.59/share. With the results being well received by the market, Catalyst Buyout Fund 2 (CBF2) subsequently sold their remaining 11% shareholding in Adairs via a block trade, through JP Morgan Chase & Co, following market close on Friday 21 February 2020, at an agreed price of $2.57/share, which represented a 0.8% discount to the end of day share price.

Settlement of the share sale was completed on Wednesday 26 February 2020 completing the exit of CBF2's investment in Adairs, which has delivered a top quartile return for CBF2 investors, including VPEG.

Following the sale, CBF2 distributed a total of $800,000 to VPEG on 2 March 2020 for its share of the net investment proceeds. Following the receipt of this distribution, VPEG directors along with the approval of shareholders at the General Meeting held on 25 March 2020, agreed to a Return of Capital distribution of $799,431 ($0.0226 per share) which was paid to all VPEG Shareholders on 9 April 2020.

PORTFOLIO STRUCTURE

VPEG's PORTFOLIO STRUCTURE - 31 MARCH 2020

The tables and charts below provide information on the breakdown of VPEG's underlying investments as at 31 March 2020.

CURRENT INVESTMENT 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 90.11% to 64.25% with the cash and fixed interest component of the portfolio increasing from 9.89% to 35.76% of the total portfolio value.

The reduction in Private Equity investments and the increase in cash and fixed interest was due to the distribution received by VPEG from Catalyst Buyout Fund 2 as a result of the sale of their remaining shares in ASX listed Adairs, during the quarter.

<table>
<tr><th>Cash</th><th>Short Term Deposits</th><th colspan="2">Private Equity</th></tr>
<tr><td rowspan="2">26.12%</td><td rowspan="2">9.64%</td><td>Later Expansion</td><td>3.93%</td></tr>
<tr><td>Buyout</td><td>60.32%</td></tr>
</table>

PRIVATE EQUITY PORTFOLIO

VPEG, with remaining commitments to three Private Equity funds, ultimately held interests in 4 underlying company investments as well as residual holdings of a listed portfolio company and two other previously exited companies. VPEG's Private Equity portfolio and commitments, as at 31 March 2020, were as follows:

Private Equity Fund Name	Fund / Deal Size	Vintage Year	Investment Focus	VPEG Commitment	Capital Drawn Down	Total No. of Investee Companies	No. of Exits
Advent V	$300m	2006	Lower 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	9
Catalyst Buyout Fund 2	$438m	2008	Mid Market Buyout	$8.0m	$6.38m	7	4
Crescent Capital Partners III	$400m	2006	Lower to Mid Market Expansion / Buyout	$4.0m	$3.95m	6	6
Equity Partners Fund No. 3	$76m	2007	Lower Market Expansion / Buyout	$4.0m	$3.69m	6	6
Next Capital II	$285m	2008	Lower to Mid Market Expansion / Buyout	$7.0m	$6.18m	7	7
Quadrant Private Equity No. 2	$500m	2007	Lower to Mid Market Expansion / Buyout	$8.0m	$7.06m	5	5
			Total	**$43.0m**	**$38.53m**	**49**	**45**

SUMMARY OF VPEG'S REMAINING UNDERLYING PRIVATE EQUITY INVESTMENTS

The table below provides an overview of the remaining underlying Private Equity investments and residual holdings in VPEG's portfolio as at 31 March 2020.

Rank	Investment	Fund	Description	% of VPEG's Private Equity Portfolio	Cumulative %
1	Vesco	Catalyst Buyout Fund 2	Manufacturer of frozen meals and meal components	45.0%	45.0%
2	Dusk	Catalyst Buyout Fund 2	Specialty Retailer of Homewares	25.9%	70.9%
3	Supercars	Archer Capital Fund 4	Motor racing events	12.1%	83.0%
4	Cirrus Media	Catalyst Buyout Fund 2	Australia's largest business to business media company	7.6%	90.6%
5	Pro-Pac Packaging Limited (merged with Integrated Packaging Group)	Advent V	Manufacturer & Distributor of Packaging Products	6.1%	96.7%
6	Craveable Brands (formerly Quick Service Restaurants Holdings)	Archer Capital Fund 4	Chicken Fast Food Retailing	2.2%	98.9%
7	Morris Corporation	Catalyst Buyout Fund 2	Remote Facilities Management & Accommodation Services	1.1%	100.0%

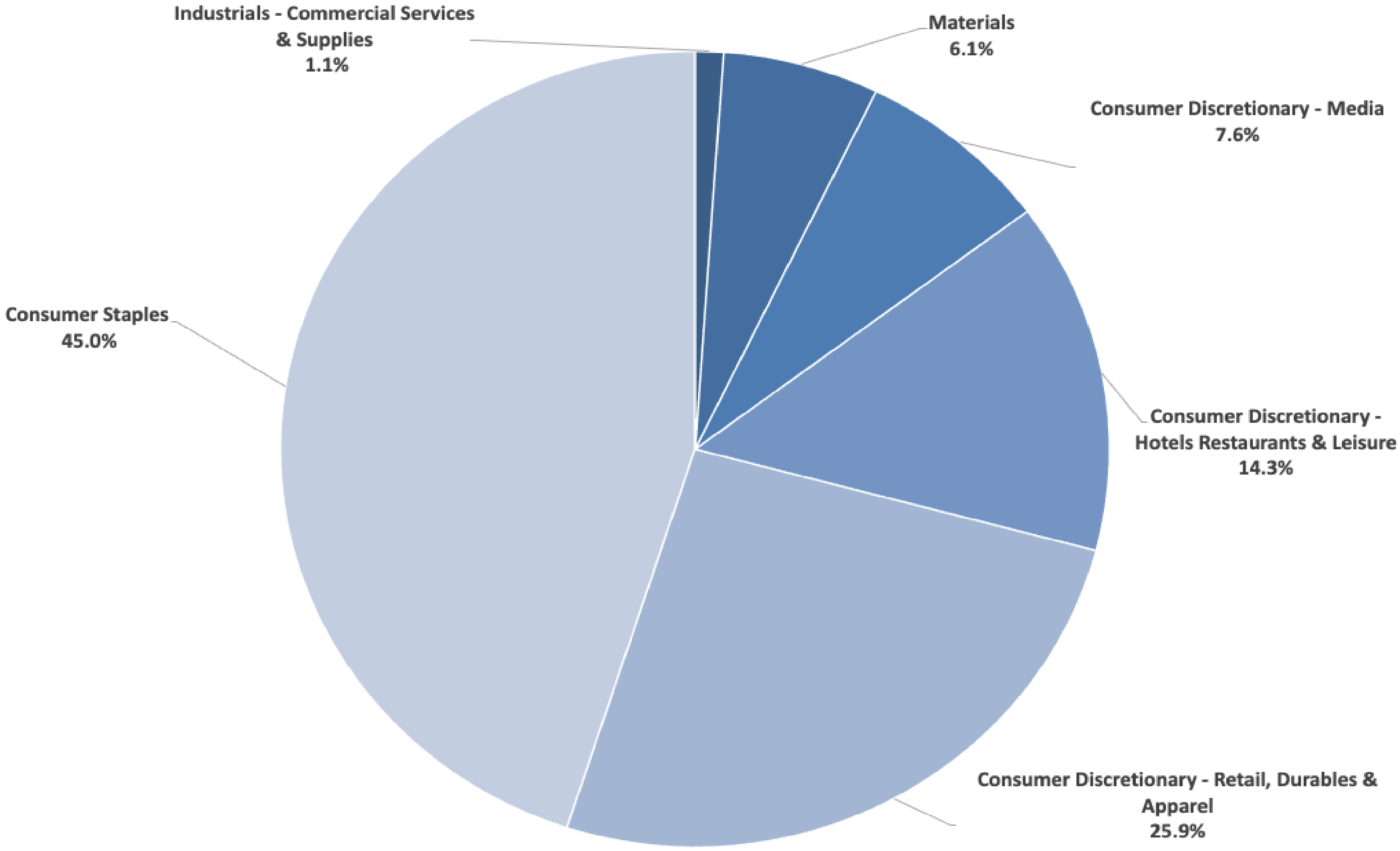
*As at 31 March 2020 (unaudited)

INDUSTRY SPREAD OF VPEG's UNDERLYING INVESTMENTS

As a result of sale of Catalyst Buyout Fund 2's remaining shares in Adairs during the quarter, the "Consumer Discretionary – Retail, Durables & Apparel" industry sector decreased from 46% to 25% at quarter end.

Due to this sale, all other industry sector exposures across VPEG's portfolio increased at quarter end.

As a result, the "Consumer Staples" industry sector consisting of underlying investment Vesco represented VPEG's largest industry sector exposure at 45.0% at quarter end.



VPEG PORTFOLIO COVID-19 UPDATE

REVISED INTERNATIONAL PRIVATE EQUITY VALUATION GUIDELINES FOR PORTFOLIO REVALUATIONS AS AT 31 MARCH 2020

Given the magnitude of the COVID-19 crisis and the significant uncertainties which it presents, on 30 March 2020, the Australian Investment Council (AIC) issued a set of updated guidelines from the International Private Equity Valuation Board (IPEV). These updated guidelines have provided Private Equity managers globally with a framework to fairly value their underlying investments at the 31 March 2020 quarter-end.

Key summary points from IPEV guidelines for Private Equity portfolio revaluations as a result of COVID-19 include;

- The impact of the crisis on the portfolio company's revenue / customers, supply chain, and operations (including availability of employees and the leadership team to work remotely) must be rigorously considered at March 31, 2020.

- Estimates as to performance shortfalls for Q1, Q2 and beyond, to the extent possible are necessary. Updated performance projections are likely to be necessary.

- Appropriate multiples must be determined which reflect the current market environment including risk and uncertainty in projections and historical results.

- An appropriate multiple would be congruent with the metric to which it is applied. The percentage change in market capitalisation of comparable public companies may provide a good proxy for the magnitude of the change to be expected in the multiple

- Expected adverse performance in Q1 and Q2 2020 and beyond, if deemed one-time, would still impact cash balances and would be reflected as a deduction from enterprise value in estimating fair value.

- The selection of metrics base on last twelve months (LTM) or next twelve months (NTM) would be determined based on market participant expectations and the availability of applicable multiples.

As a result, each of VPEG's underlying fund managers undertook revaluations of the remaining unrealised investments in the portfolio based on forward looking projections as at 31 March 2020, which resulted in the reduction in VPEG's NAV across the quarter.

VPEG COVID-19 PORTFOLIO REVIEW

The current environment around COVID-19 and restrictions imposed by Government's on the operations of businesses across the economy, is very fluid and its impact on each of VPEG's remaining underlying company investments is being monitored frequently by VPEG's underlying Private Equity fund managers. VPEG's Private Equity managers are working closely with the respective management teams of each remaining portfolio company, to preserve cash and implement strategies to maintain liquidity across the downturn, which is tailored specific for each individual investment.

The absolute priority of each underlying fund manager, at this critical time is to seek to reduce any negative impact caused by the disruption of COVID-19 on the operations of each portfolio company and ultimately preserve value across their portfolio's until the economy stabilises and strategies for growth can be re-implemented.

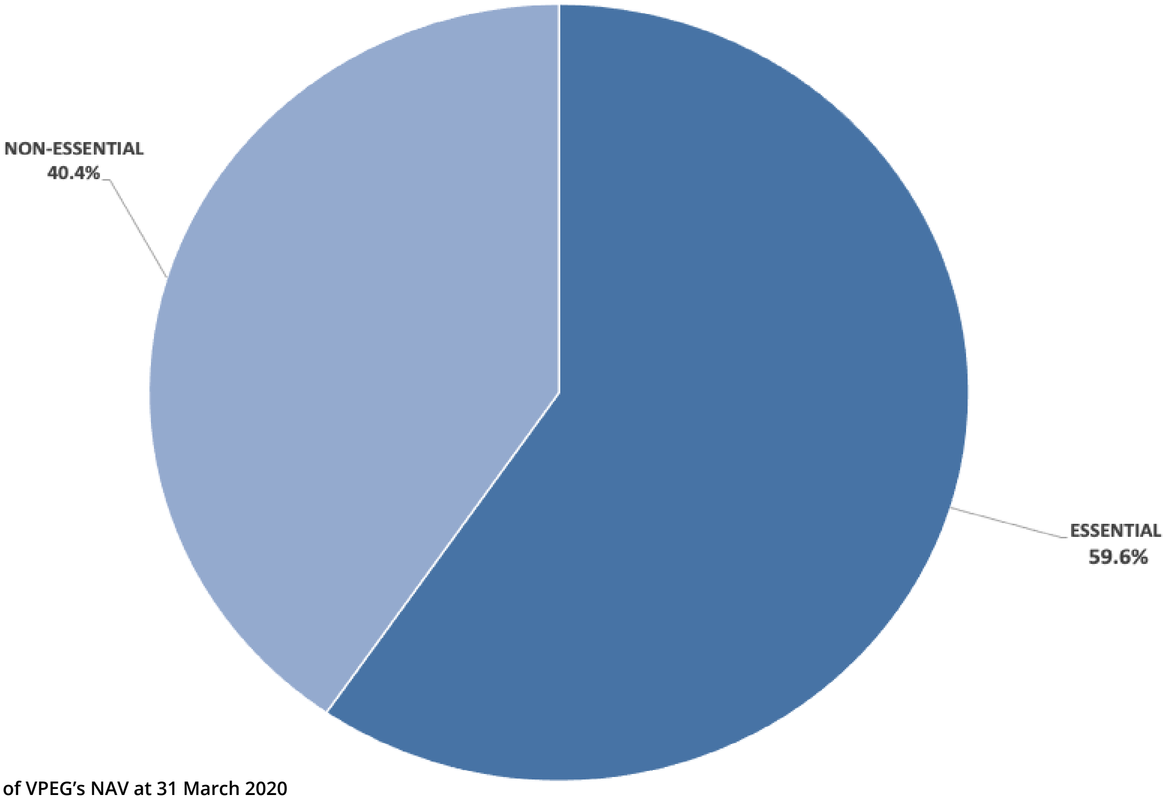
Following the receipt of comprehensive updates from VPEG's underlying Private Equity managers and subsequent detailed discussions with each manager regarding the impact of the COVID-19 restrictions on the operations of each remaining underlying company in VPEG's portfolio, the Vantage team developed a summary COVID-19 portfolio update that was distributed to all VPEG investors during April 2020.

The summary assessed the potential impact, mitigating factors and observed impact to date resulting from the COVID-19 situation as it relates to each of VPEG's underlying company investments. A summary of the key points of note from this analysis is provided below.

As restrictions were imposed on the operations of businesses by both the Australian and New Zealand Governments, commencing in late March 2020, only businesses deemed as Essential Service business were allowed to continue to operate while observing social distancing and adhering to additional health and safety protocols in their workplaces.

The chart on the following page provides a split of VPEG's underlying company portfolio as they are deemed to operate as either Essential or Non-essential businesses as defined under the respective Australian and New Zealand Government's business definitions during COVID-19 restrictions.

SPLIT OF VPEG's PORTFOLIO BY COVID-19 BUSINESS DEFINITION

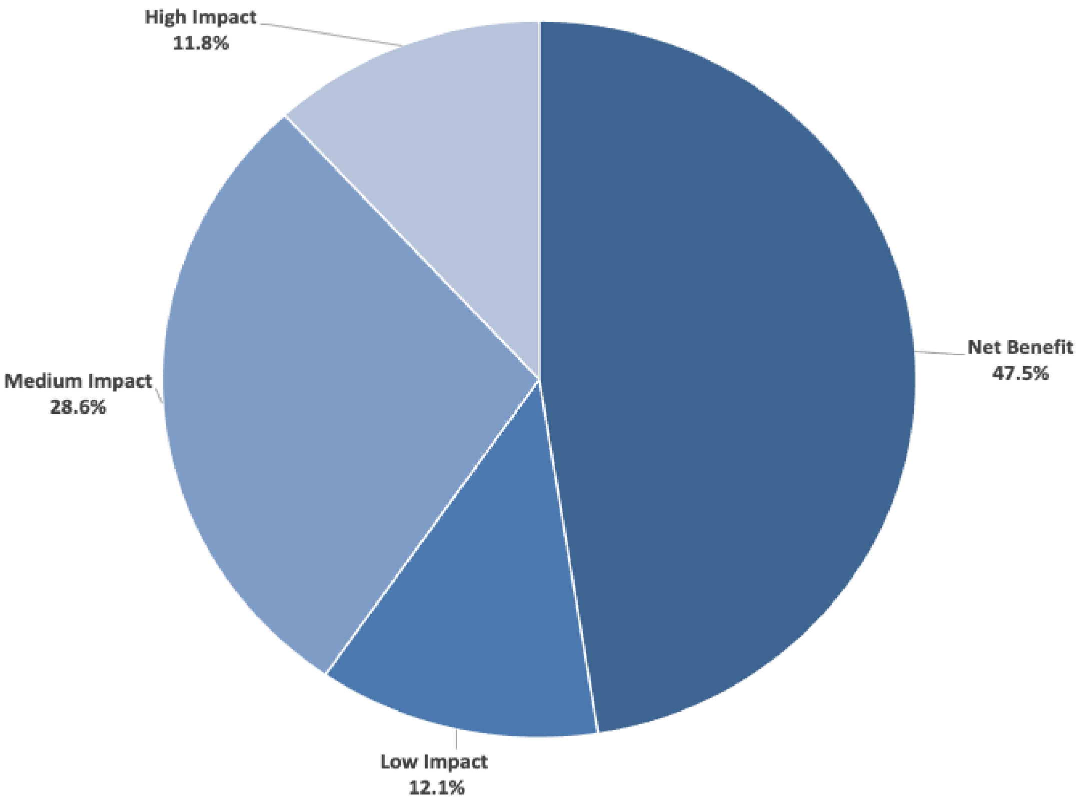


Note; Split as a % of VPEG's NAV at 31 March 2020

As demonstrated above, four portfolio companies representing **59.6% of VPEG's Net Asset Value (NAV) operate Essential Service businesses** or provide a **majority of their products and services to Essential Service businesses**. This has effectively allowed these businesses to continue to operate following the imposition of the COVID-19 shutdowns / lockdowns in each country, reducing the impact of these restrictions on their financial performance.

The chart on the next page provides a breakdown of the observed or forecast, impact on revenue, compared to the same period last year, resulting from the COVID-19 situation as it relates to each of VPEG's underlying portfolio of company investments.

IMPACT TO REVENUE ACROSS VPEG's UNDERLYING PORTFOLIO RESULTING FROM COVID-19



Note; Breakdown as a % of VPEG's NAV at 31 March 2020

As demonstrated above, the same four portfolio companies representing **59.6% of VPEG's NAV** have reported either a **net benefit or a low impact to their revenue's** as a result of the current COVID-19 operating environment.

As reported by underlying Private Equity managers, VPEG's remaining portfolio of companies generally have a low to moderate level of gearing, with a majority of companies still generating good cashflows. Furthermore, it was reported that all of VPEG's remaining underlying companies have either sufficient cash reserves or the ability to draw down on existing finance facilities to satisfy their financial obligations, should a prolonged economic downturn persist. Finally, liquidity is being successfully managed within each business and whilst for a minority of companies, this remains dependent upon securing the benefit of various government and industry assistance packages, there is a reasonable level of confidence that each company will be able to manage their liquidity requirements until the COVID-19 restrictions are lifted.

MARKET AND ECONOMIC CONDITIONS

In late March 2020, the Australian and New Zealand Governments implemented strong containment measures to reduce the spread of COVID-19 among communities. To date these measures have proved effective in reducing the rate of new infections. However, these measures have come at a cost of significantly disrupting the economy and the many vast industries it is comprised of. As a result, both Governments have recently commenced rolling back restrictions across states and territories to essentially restart each economy.

The economic ramifications of the virus is being largely felt in unemployment rates. As some businesses inevitably downsize, employees have been stood down under Fair Work Act s.524- 525, which allows an employer to stand down employees due to a number of unforeseeable circumstances. Indeed, unemployment rates are increasing in many countries across the world especially those most impacted by the virus. Based on preliminary analysis it is estimated that Australia's unemployment rate will cap between 7% to 10% during the next three to six months.

The banking and capital markets sector have not gone unscathed and may be facing difficult times ahead. The banks are witnessing credit challenges with both their business and retail customers, as they face increasingly problematic circumstances over the coming months and into 2021. Added to these headwinds, is the historically low interest rates at 0.25%. Having said that, there is a realisation that banks are generally better capitalised now than during the Global Financial Crisis (GFC).

Globally, stock markets have also been drastically impacted. The quarter ended 31 March 2020 saw rapid sell offs in most equity markets around the world. During this period the Dow Jones Industrial Average, the FTSE and the ASX All Ordinaries all experienced declines of over 30% in a two-week period. Economists around the world are expecting that the downturn will be most acute in the next two to three quarters, with growth to return thereafter. The timing of the recovery will, however, depend on the duration of the containment measures, the rate of testing/contact tracing and the effectiveness of policy responses.

AUSTRALIA / NEW ZEALAND ECONOMIC RESPONSE

The Australian and New Zealand governments have moved quickly to legislate a wide range of measures to provide financial assistance to individuals and businesses.

In response to the impact on the Australian economy, the Government has implemented three stimulus packages worth over $214 billion. These have included a range of payments to individuals and businesses representing approximately 10.6% of Australia's GDP. The New Zealand Government has also announced a spending package equivalent to 4% of GDP in an attempt to fight the effects of COVID-19 on its economy.

In addition to the fiscal support, other important liquidity measures have also been implemented. A range of federal and state taxes have been either waived or deferred. Banks have provided an amortisation holiday and covenant relief for many companies for a period of up to six months. Many commercial landlords, under direction of the Government, have provided tenants with deferral and partial waiver of rents throughout the lockdown period.

Fortunately, the balance sheets and credit ratings of both Australia and New Zealand are strong with net debt to GDP ratios relatively low at around 19%. This compares with the rather staggering average ratio of 74% for other advanced economies.

As containment measures have proved to have lowered the spread of infection rates, the priority for the Australian and New Zealand Governments now is to support jobs, incomes and businesses, so that when the health crisis subsides, these countries are well placed to recover strongly.

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