VPEG

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Vantage Private Equity Growth Limited
Quarterly Report
30 June 2020

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IMPORTANT INFORMATION

SUMMARY

Vantage Private Equity Growth Limited (VPEG) is a multi-manager Private Equity investment company structured as an unlisted Australian public company. VPEG was established to invest 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, with 45 exits completed from the portfolio, at quarter end

As at 30 June 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

Advent V contracts to sell their remaining 11.6% shareholding in ASX listed Pro-Pac Packaging Group, with the sale completed in early July 2020, netting $13 million in proceeds

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Catalyst Buyout Fund 2 commences preparations for the IPO of Dusk, following its record financial performance for FY20

Three portfolio companies representing 90% of VPEG's NAV have reported that there will be no impact to their financial performance as a result of the Victorian Government's recently imposed COVID-19 restrictions on that State

Month Ending	VPEG NAV per Ordinary Share*
30-Jun-20	0.072
31-May-20	0.076
30-Apr-20	0.085
31-Mar-20	0.116

* Net Asset Value (NAV) per share post tax

PERFORMANCE

The period 1 April 2020 to 30 June 2020 saw continued activity across VPEG's remaining Private Equity portfolio with the proceeds from the sale of the remaining shares in a previously exited portfolio company, distributed to Shareholders during the quarter. In addition, the remaining shares of another previously exited and ASX listed company were contracted to be sold during the quarter with the sale of those shares completed in early July 2020.

As a result, the number of investments remaining within VPEG's underlying portfolio at quarter end was four. In addition, VPEG held residual / earn out interests in two previously exited portfolio companies, as at 30 June 2020.

The table to the left provides a summary of the performance of VPEG's Net Asset Value (NAV) during the June 2020 quarter. As demonstrated, VPEG's NAV decreased from $0.116 per share to $0.072.

The decrease in VPEG's NAV across the quarter, resulted predominately from the payment of the Return of Capital distribution of 2.26c per share (totalling $799,431) to all shareholders during April 2020.

VPEG's underlying Private Equity fund managers continue to engage in active communications with the management of each of the remaining underlying portfolio companies to ensure that they continue to remain sufficiently resourced and well positioned to ride out the current economic downturn. As the economic implications of the virus are continually being assessed, VPEG's underlying managers' report that each underlying company is well placed to overcome the challenges of COVID-19.

As a result, VPEG's underlying managers do not expect any reduction in the unrealised value of the remaining portfolio of companies to be permanent but rather reflect the current temporary deterioration in trading conditions resulting from the subsequent COVID-19 related restrictions in each economy.

KEY PORTFOLIO DEVELOPMENTS

During the period 1 April 2020 to 30 June 2020, VPEG distributed $799,431 to all shareholders resulting from the sale of shares during the previous quarter, held in a previously existed company. In addition one underlying fund contracted to sell the remaining shares it held in its only remaining portfolio company.

The distribution of 2.26c per share (totalling $799,431) to all shareholders during April 2020, followed VPEG's receipt of its share of the sale proceeds from Catalyst Buyout Fund 2, following the sale of Catalyst's remaining Shares held in previously exited and ASX listed, Adairs during the March 2020 quarter. (Refer to VPEG Quarterly Report 31 March 2020 for further detail).

Furthermore, in June 2020, Advent V reached agreement with a broker to sell their 11.6% shareholding in Pro-Pac Packaging Group (PPG:ASX). The sale was finalised on 6 July 2020 at $0.14 per share resulting in net proceeds to Advent V of approximately $13 million. The final share price was a 17% discount to the prevailing share price however was in line with the 30-day Volume-Weighted Average Price (VWAP) and a premium of 30% to the 90-day VWAP.

It is expected that VPEG's share of the proceeds from the PPG share sale will be received during the September 2020 quarter, at which time the Advent V fund will be finalised and wound up.

With 45 exits completed, four underlying Private Equity company investments remained within VPEG's underlying portfolio as at 30 June 2020.

All four remaining companies in VPEG's underlying portfolio are in the process of being exited over the second half of the 2020 calendar year and into 2021, 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 and 2021.

VPEG UNDERLYING PORTFOLIO UPDATE

The period 1 April 2020 to 30 June 2020 presented a volatile operating environment for the remaining companies within VPEG's underlying portfolio.

By 1 April 2020, the Australian and New Zealand Governments had already implemented strong containment measures to reduce the spread of COVID-19 among our communities. By the middle of May, these measures proved effective in reducing the rate of new infections. As a result, the governments of both countries commenced rolling back restrictions across states and territories to essentially restart each economy leading into June.

During this period, VPEG's underlying fund managers worked closely with the management of each portfolio company to reduce the financial impact of the COVID restrictions on the operations of each company.

Due to the diversification of VPEG's remaining underlying portfolio, the effect of the COVID-19 restrictions and subsequent easing of restrictions on the operations of each company varied.

The underlying portfolio update provided below provides further details about the impact of the COVID-19 restrictions on the three largest remaining companies in VPEG's portfolio that constitute 84% of VPEG's private equity exposure at quarter end.

VESCO - CATALYST BUYOUT FUND 2

Vesco, is a frozen ready meals and components business and is a market leader in the private label and contract manufacturing segments primarily servicing the Retail channel to customers including Australia's leading supermarket chains and global food brand names. It also services Health and Food Services, QSR and the export channels. Vesco has two manufacturing facilities; one in WA and one in QLD and generates sales of ~$120m.

Vesco represents 38.3% of VPEG's Private Equity portfolio as at 30 June 2020.

The June quarter was a volatile trading period for Vesco driven by the impact of COVID-19. March delivered a record sales and EBITDA outcome as consumers stockpiled staples and the retailers responded with heavy forward orders. The months of April and May were slightly slower driven by the suspension of promotional programs by the retailers, the likely over stocking by the retailers based on March outcomes and a slow down in consumer demand due to people settling into working from home and shifting to home prepared meals.

However, Vesco was still able to deliver strong net sales growth for the FY20 period with revenue and EBITDA significantly higher than FY19. This reflects a full year contribution from Lean Cuisine brand and the Coles plated meals business together with a steady contribution from the balance of the business.

Indications are that the September quarter sales are back in line with the Pre COVID budget which should set Vesco up for a strong FY21. It is anticipated that Catalyst will commence the sale process for Vesco during 2021.

DUSK - CATALYST BUYOUT FUND 2

Dusk is Australia's leading specialty retailer of candles, home fragrance and giftware products, with over 90 stores and sales in excess of $100m. The business is differentiated by innovation in its product range and a significant in-house development capability. It manufactures a broad range of its candle products at its Perth based factory while less technical products are directly sourced from other suppliers. The vast majority of products are sold under Dusk's own brand.

Dusk represents 34.1% of VPEG's Private Equity portfolio as at 30 June 2020.

As a result of the Government imposed COVID-19 restrictions in March 2020, Dusk closed all 110 bricks and mortar stores for all of April which initially impacted the financial performance of the company. Despite these closures, online sales surged during the period as consumer sentiment increased and discretionary spending recommenced subsequently as an effect of the various government stimulus's received by consumers.

In early May, the company decided to reopen stores as restrictions were lifted. All stores were re-opened for Mothers' Day trade and the results were strong, aided by the fact that numerous competitors (including major department stores) remained closed.

Since reopening stores, sales have been exceptionally strong. Like for like sales growth on a week to week, continue to exceed budget. This exceptional trading is continuing into August, across stores and online, with no signs of slowing, even with the effect of the recently introduced stage 3 / 4 restrictions in Victoria.

Despite the pandemic, Dusk delivered a record FY20 EBITDA result, since the company began operations in 2000. This strong financial performance by Dusk has allowed Catalyst to bring forward preparations for a potential Initial Public Offering (IPO) to float the company on the ASX, meeting fund managers on a non-deal roadshow during August 2020. A further update on the progress of the IPO will be provided in the VPEG Quarterly Report September 2020.

SUPERCARS - ARCHER 4

The Virgin Australia Supercars Championship (formally Australian Touring Car Championship) is the premier motorsport category in Australasia and one of Australia's biggest sports. Globally, it is recognised as the best touring car category in the world and a leader in motorsport entertainment.

Supercars represents 11.1% of VPEG's Private Equity portfolio as at 30 June 2020.

The June quarter of the 2020 Supercars championship continued to be interrupted by the spread of COVID-19 pandemic. At the end of the March quarter, Supercars made the decision to postpone its season for an initial 90- day period. The four Championship rounds that were due to be held in the June quarter, being the Tyrepower Tasmania Super400, the ITM Auckland super400, the Pirtek Perth SuperNight and the Truck Assist Winton Super400, were postponed with a view to be rescheduled to a later date.

The season postponement had caused the Broadcast Partners to reassess the television rights fees for the year and payment of which was suspended until such time that live sport content was made available again.

After consultation with the relevant governments, teams and broadcast partners, management developed a return to racing plan which allowed Supercars to issue a revised calendar and return to the track at Sydney Motorsport Park on the 27-28 June. Supercars was then able to renegotiate the broadcast rights for the year which resulted in a proportionate reduction in fees due to the reduced calendar of 10 rounds (from 14 rounds), with all rounds other than Bathurst becoming 2-day rather than 3-day events.

To help mitigate against the broadcast fee reduction Supercars has been able to negotiate cost reductions with key suppliers to minimise costs of event delivery from an operations and broadcast perspective.

It is expected that once a new TV rights agreement for Supercars is reached for the 2021 season later this year, that Archer will look to engage with interested parties for the sale of their share of the business during 2021.

PORTFOLIO STRUCTURE

VPEG's PORTFOLIO STRUCTURE - 30 JUNE 2020

The tables and charts below provide information on the breakdown of VPEG's underlying investments as at 30 June 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 increased from 64.3% to 90.1% with the cash and fixed interest component of the portfolio decreasing 35.8% to 9.9% of the total portfolio value.

The reduction in VPEG's exposure to Cash and Fixed Interest investments, and the increase in Private Equity exposure was as a result of the payment of the $799,431 distribution to shareholders during the quarter.

<table>
<tr><th>Cash</th><th>Short Term Deposits</th><th colspan="2">Private Equity</th></tr>
<tr><td rowspan="2">0.4%</td><td rowspan="2">9.5%</td><td>Later Expansion</td><td>8.6%</td></tr>
<tr><td>Buyout</td><td>81.5%</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 one other previously exited company. VPEG's Private Equity portfolio and commitments, as at 30 June 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 30 June 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	38.3%	38.3%
2	Dusk	Catalyst Buyout Fund 2	Specialty Retailer of Homewares	34.1%	72.4%
3	Supercars	Archer Capital Fund 4	Motor racing events	11.1%	83.6%
4	Pro-Pac Packaging Limited (value of residual shares held)	Advent V	Manufacturer & Distributor of Packaging Products	9.6%	93.2%
5	Cirrus Media	Catalyst Buyout Fund 2	Australian business to business media company	6.1%	99.3%
6	Morris Corporation (Value of escrowed warranty & indemnity holdings following sale to Sodexo in 2018)	Catalyst Buyout Fund 2	Remote Facilities Management & Accommodation Services	0.7%	100%

Note; as at 30 June 2020 (unaudited) calculated on VPEG's Pre-Tax Net Asset Value (NAV).

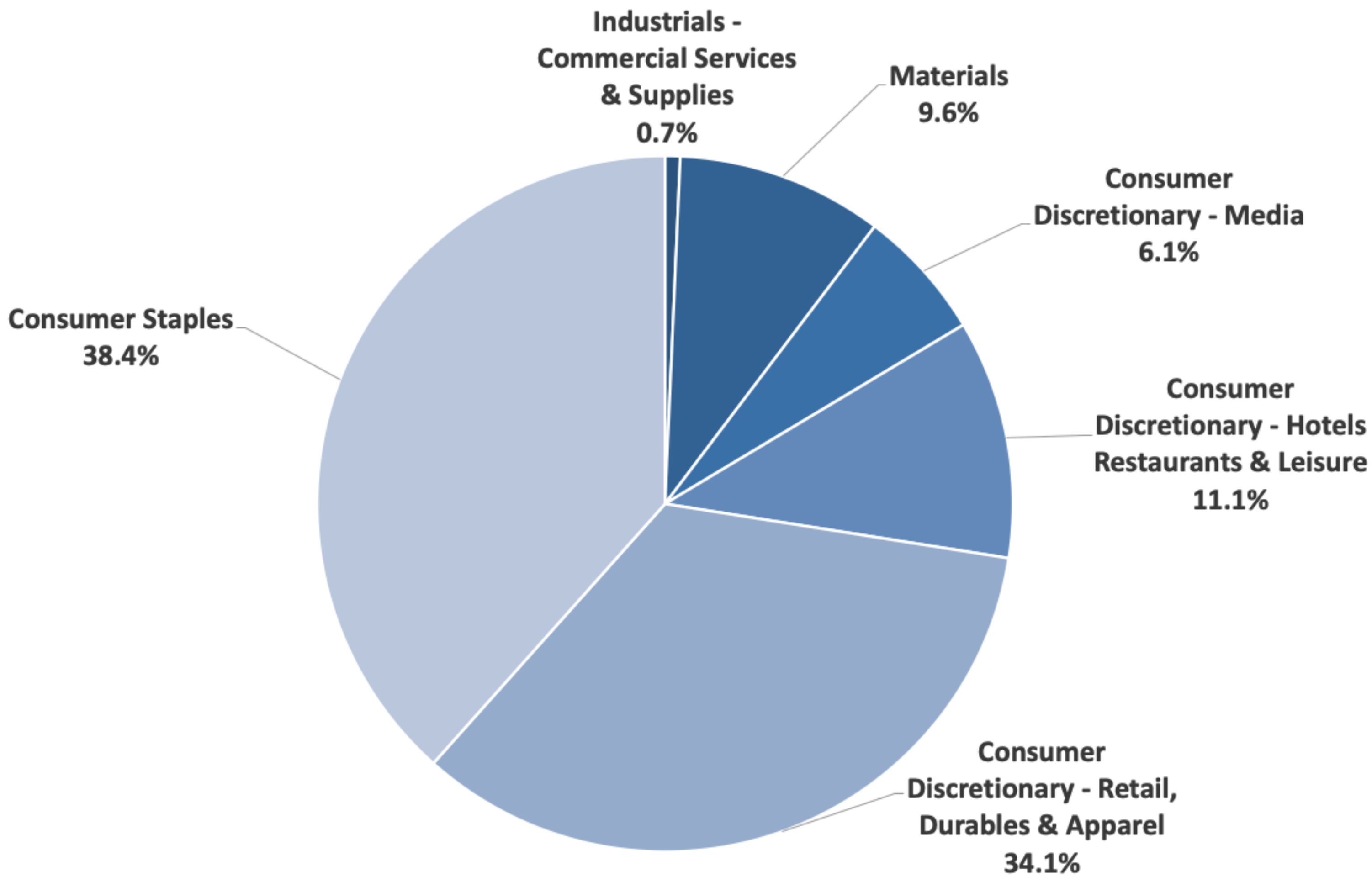
INDUSTRY SPREAD OF VPEG's UNDERLYING INVESTMENTS

Due to an improvement in the valuation of Catalyst Buyout Fund 2's underlying portfolio company Dusk, due to strong trading performance throughout the period, VPEG's exposure to the "Consumer Discretionary – Retail, Durables & Apparel" industry sector increased from 26.0% to 34.1% at quarter end.

In addition, due to an increase in the share price of Advent V's residual holding in previously exited Pro-Pac Packaging during the quarter, VPEG's exposure to the "Materials" industry sector increased from 6.1% to 9.6%.

Due to these uplifts in valuations, all other remaining industry sector exposures in VPEG's portfolio slightly decreased at quarter end.

As a result, the "Consumer Staples" industry sector, consisting of underlying investment Vesco, represented VPEG's largest industry sector exposure at 38.4% at quarter end.



VPEG COVID-19 PORTFOLIO UPDATE

While most States across Australia have managed to either suppress or eliminate the spread of the coronavirus in recent months, the emergence of the second wave of the virus in Victoria during July and August has seen stage 3 and 4 restrictions being introduced across that State. These new restrictions, which will be in place until at least September 2020, will cause a significant slowdown of the Victorian economy as well as drastically impact the operations and financial performance of many non-essential businesses operating in Victoria.

As the Victorian economy represents approximately 25% of Australia's GDP, any halt to economic activity in that State will also impact the recovery of the broader Australian economy. As such, Vantage regards it as necessary at this time to assess the degree to which the situation in Victoria will impact the operations and performance of VPEG's remaining underlying portfolio.

As reported last quarter, VPEG's underlying portfolio is diversified across a broad range of industry sectors, with the majority of VPEG's underlying company investments occupying non-cyclical, defensive or growth industry sectors. In addition, VPEG's portfolio is also diversified geographically, with underlying companies operating in numerous locations across most states and regions of Australia and New Zealand,

Due to the strong level of diversification in VPEG's remaining underlying portfolio, the effect of Victoria's recently imposed restrictions on the operations of each portfolio company is varied. However, recent analysis conducted by Vantage reveals that a majority of VPEG's remaining portfolio will likely experience no impact to their financial performance as a result of Victoria's move to Stage 3 / 4 restrictions with only a small portion of the portfolio to experience a possible low impact to the company's financial performance.

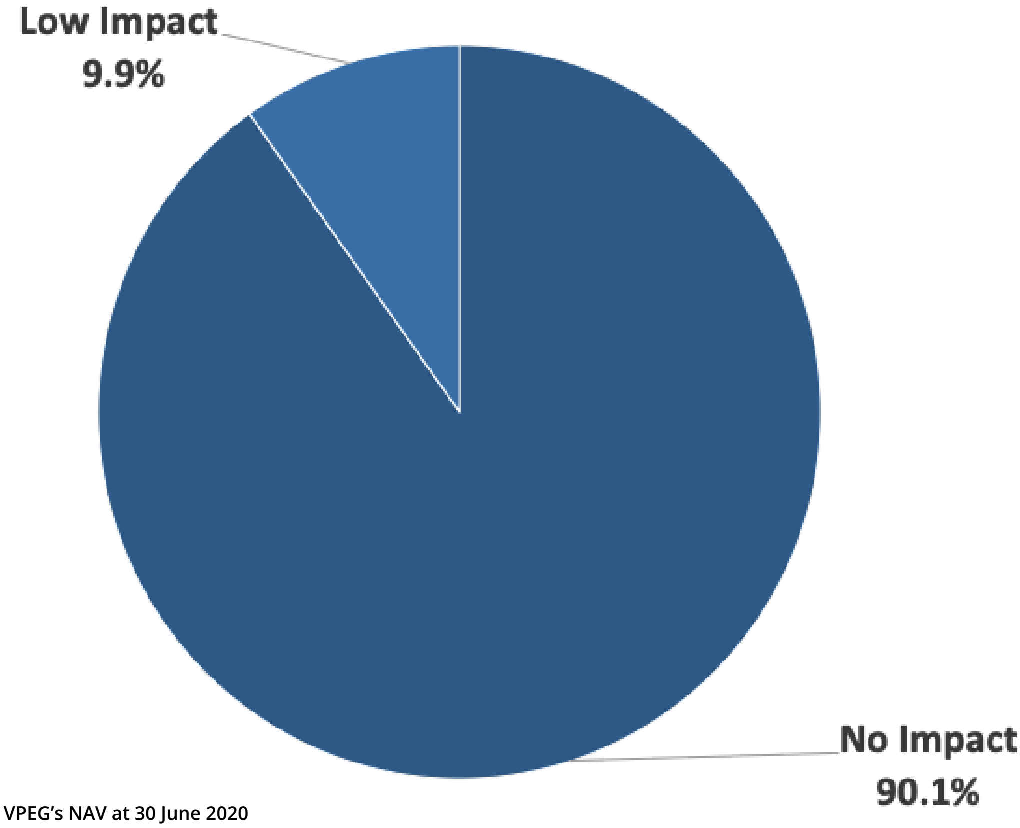
Summary points to note across the VPEG portfolio include;

- Four underlying company investments remain in VPEG's portfolio at quarter end

- Three portfolio companies representing 90.1% of the total Net Asset Value (NAV) of VPEG's Portfolio have reported that there will be no impact to their financial performance as a result of the Victorian Government's recently imposed COVID-19 restrictions on that State,

- One portfolio company representing only 9.9% of NAV is likely to experience a low impact (less than 20% reduction in pre COVID revenue) to its operations and financial performance as a result of the Victorian restrictions.

IMPACT TO REVENUE ACROSS VPEG's UNDERLYING PORTFOLIO RESULTING FROM VICTORIAN GOVERNMENTS IMPOSED STAGE 3 / 4 RESTRICTIONS



Note; Split as a % of VPEG's NAV at 30 June 2020

In summary, the diversification across VPEG's remaining underlying investments in terms of industry sector and location of operations, reduces the impact of the current government imposed COVID restrictions in Victoria, thus likely to only marginally impact the overall performance of VPEG's portfolio value. In addition, given the strong oversight of VPEG's underlying fund managers and the ability for each underlying company to rapidly adapt their strategies to meet the challenges presented by the virus, Vantage is confident that VPEG's remaining portfolio, once sold over the next 12 months will ultimately deliver a return to Shareholders at or above their current value.

MARKET AND ECONOMIC CONDITIONS

Disruptions caused by the COVID-19 pandemic have continued to impact both global and domestic demand in Australia and New Zealand during the June 2020 quarter. As a result of a largely successful suppression of the virus (despite the recent outbreak in Melbourne) and significant Government stimulus, Australian equity markets strongly rebounded, reversing most of the losses experienced toward the end of the March 2020 quarter. The Australian economy experienced a significant downturn throughout April as restrictions were strictly enforced. However, as governments began to gradually ease restrictions over May and June, economic activity began to subsequently increase. These movements in economic activity where represented by the Performance of Manufacturing Index (PMI), which crashed in April 2020 to 35.8, down from 53.7 in March, before rebounding to 51.5 at the 30 June 2020 quarter end, due to an overall improvement in demand. The services segment of the PMI however continued its decline throughout the period, dropping from 38.7 in March 2020 to 31.5 in June 2020 – despite the economy beginning to open up from the COVID-19 restrictions. Business sentiment bounced back from its -65 low at the end of March, through to the latest May 2020 reading, which remains negative at -20. Similarly, consumer confidence fell sharply from 91.9 in March 2020 to 75.6 in the following month, before rebounding to 88.1 in May 2020.

Real GDP in Australia is forecast to have experienced its sharpest fall on record during the June quarter. Activity is expected to pick up in the September quarter and beyond, with the continued easing of restrictions in most parts of the country. Real GDP is forecast to fall by 0.25% in 2019-20 fiscal year and by 2.5% in 2020-21 fiscal year. In calendar-year terms, real GDP is forecast to fall by 3.75% in 2020, before increasing by 2.5% per cent in 2021.

A confident sentiment however is viewed among economists as it is expected that both Australian and New Zealand economies are forecast to recover much sooner than in past recessions due to the gradual easing of restrictions in both countries, though it is expected that it will be a long road back to full recovery with the unemployment rate remaining elevated for some time. Both the Federal Government and the Reserve Bank of Australia have remained highly accommodative in their response to the coronavirus pandemic with fiscal and monetary packages being appropriately allocated.

AUSTRALIA / NEW ZEALAND ECONOMIC RESPONSE

In Australia, the Federal Government revised the size of its economic support package to $289bn, representing 14.6% of annual GDP. Australia's JobKeeper scheme has paid out over $30 billion to 3.5 million workers from more than 960,000 businesses.

The government has decided to extend multiple support packages beyond September, including:

- A tapered extension of the income support measures, including an additional $20.4bn in reduced payments for JobKeeper (until March 2021) and JobSeeker (until December 2020).

- Additionally, further support packages include $525 million to infrastructure projects in VIC and NSW, a $680 million Home Builder grant and an additional $2 billion JobTrainer skills program.

While Australia's net debt is expected to increase with the expanded support, the country's robust finances prior to the current downturn means that net debt is expected to climb to 35.7% of GDP in June 2021. Treasury estimates a $85.8 billion deficit in 2019-20 and a $184.5 billion deficit in 2020-21, which includes the $16.6 billion JobKeeper extension.

New Zealand's decision to ease most, if not all, restrictions early on during the quarter, has materially improved its country's economic position. In May 2020, the New Zealand government announced that it would borrow an additional NZ$50 billion in the June 2021 fiscal year to be mitigate impact of the COVID-19 pandemic. The government's response to the 8 week extension of its wage subsidy scheme is now up to NZ$14 billion and is being set aside in the event of the country experiencing a second wave outbreak. As a result of the economic support, New Zealand posted a rise in net debt to 25.1% of GDP at the end of May 2020.

In comparison to other world economies, the consensus among professional economists, is that Australia and New Zealand will emerge from the current crisis better than most economies. For instance, the IMF forecasts the Australian economy to contract by 4.5% before rebounding by approximately 4% in 2021. This represents is a 2.2-point improvement on its April outlook and makes Australia second only to South Korea in terms of economic resilience. According to S&P, New Zealand is expected to contract by 5% in 2020 before rebounding by 6% in 2021.

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