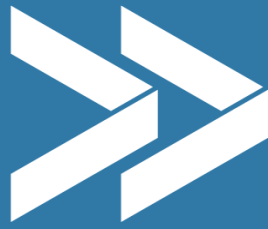


# VPEG

DIVERSIFY  
GROW  
OUTPERFORM



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Vantage Private Equity Growth Limited  
Quarterly Report  
31 December 2020



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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

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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 three remaining underlying companies plus two residual holdings in previously exited companies, of which one is an ASX listed company, with 46 exits completed from the portfolio, at quarter end

As at 31 December 2020, VPEG's remaining investment commitments were \$8m to each of Archer Capital Fund 4 and Catalyst Buyout Fund 2.

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. VPEG's investment commitment of \$4m to Advent V ended upon termination of that fund in September 2020 with the final distributions received following their final exit of its last portfolio company in July 2020.

## SPECIAL POINTS OF INTEREST

*Catalyst Buyout Fund 2 successfully exits underlying investment Dusk Group Limited via an IPO and ASX listing with Catalyst selling down 60% of the funds pre IPO shareholding upon listing*

*VPEG pays \$442,163 (\$0.0125 / share) Return of Capital distribution to all VPEG shareholders on 14 December 2020*

*Strong earnings & value growth across VPEG's remaining underlying portfolio delivers a 21.4% total shareholder return across the quarter*

## PERFORMANCE

The period 1 October 2020 to 31 December 2020 saw continued activity across VPEG's remaining Private Equity portfolio with the exit of one underlying portfolio company being completed via an IPO listing on the ASX during the quarter.

As a result, the number of investments remaining within VPEG's underlying portfolio at quarter end was three. In addition, VPEG held residual / earn out interests in two previously exited portfolio companies, as at 31 December 2020.

The table below provides a summary of the performance of VPEG's Net Asset Value (NAV) during the December 2020 quarter. As demonstrated, VPEG's NAV increased 5.2% from \$0.077 per share to \$0.081 per share. The increase in VPEG's NAV resulted predominately from the increase in unrealised value of two of the three remaining underlying companies in VPEG's portfolio. Taking into account the Return of Capital distribution of \$0.0125 per ordinary share paid to each VPEG Shareholder on 14 December 2020, VPEG's total shareholder return across the quarter was 21.4%.

VPEG's remaining underlying fund managers continue to engage in active communications with the management of each portfolio company ensuring that they remain sufficiently resourced and well positioned as they work towards creating an exit path for all remaining investee companies.

## KEY PORTFOLIO DEVELOPMENTS

The period 1 October 2020 to 31 December 2020, saw the sale of one underlying company via an IPO listing on the ASX with the sale proceeds received by VPEG during the period.

In November 2020, Catalyst Buyout Fund 2 successfully exited underlying investment Dusk Group Limited via an IPO and listing on the ASX (ASX: DSK), with Catalyst selling down 60% of the funds pre IPO shareholding into the IPO.

Month Ending	VPEG NAV per Ordinary Share*
31-Dec-20	0.081
30-Nov-20	0.091
31-Oct-20	0.094
30-Sep-20	0.077

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

The IPO was priced at 10.0x September 2020 Last Twelve Months Net profit after tax, and valued the Company at a \$120 million Enterprise Value, with an indicative dividend yield of 7%. The IPO delivered a robust distribution to Catalyst investors on 11 November 2020 with VPEG's share of the net sale proceeds equating to \$700,000.

These sale proceeds are proposed to be distributed to VPEG shareholders in late March 2021 subject to approval by shareholders at a general meeting of VPEG shareholders to be held in early March 2021.

Following shareholder approval at the VPEG Annual General Meeting on 25 November 2020, VPEG paid a total of \$442,163 (\$0.0125 per share) as a Return of Capital distribution to all shareholders on 14 December 2020.

With 46 exits completed, three underlying company investments remained within VPEG's underlying portfolio as at 31 December 2020.

All remaining companies in VPEG's portfolio are in the process of being exited over the of 2021 calendar year, as fund managers work towards creating an exit path for the remaining investee companies, as each of their funds reach the end of their fund life.

## VPEG UNDERLYING PORTFOLIO UPDATE

The portfolio summary below provides an update, of the three remaining actively managed Private Equity investments in VPEG's portfolio that constitute 73.7% of VPEG's remaining private equity exposure with the listed Dusk shares representing 25.9% of the portfolio at quarter end.

### VESCO - CATALYST BUYOUT FUND 2



Vesco Foods 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.

Vesco represents 55% of VPEG's remaining Private Equity portfolio as at 31 December 2020.

During the December quarter Vesco's sales result reflected strong contributions from "On The Menu" branded meals and snacks and the "Annabel Karmel" toddler range. The relaunch of Lean Cuisine has been effective in reversing the steep sales decline that had been a feature of that product range for an extended period of time. The new product initiatives for Super Nature are also delivering encouraging outcomes. More broadly sales for the overall health segment have been soft – Vesco is looking to address this problem in the coming months with a step up in store marketing and adjusting promotional campaigns for both Lean Cuisine and Super Nature.

After a challenging period associated with the significant range changes both the Perth and Brisbane facilities are now delivering much improved manufacturing outcomes. In the last 2 months there has been a material improvement in down times, wastage and general procurement practices. Further in the coming months a number of capital investment initiatives will be completed which are on track to deliver very positive cost and efficiency improvements.

### 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% of VPEG's remaining Private Equity portfolio as at 31 December 2020.

The December and final quarter of the full year only included one Championship round, being the iconic Supercheap Auto Bathurst 1000, which for the first time in the Championships history was the season finale.

As with prior quarters, the December quarter of the 2020 Virgin Australia Supercars Championship continued to be influenced by the directions of the Federal and State governments and their response plan to control the spread of the COVID-19 pandemic.

Upon completion of the 2020 season finale at Bathurst, the E-Series returned after its hugely successful run during the onset of COVID-19 which included the Supercars Drivers. This iteration was named the Pro-Series and consisted of Team & Sponsor appointed E-drivers, again in support of the company strategy 'to always be in the media' for fan engagement. Nine Supercar Teams took their place in the 2020 Pro Series field.

Working capital and cost control continued to be tightly managed during the quarter. The Gen-3 project continued during the period with the commencement of the procurement program to source many of the components to be used in the new platform for both development of the Mustang and Camaro prototypes and also the final versions of the cars which are due to comprise the grid in the first event of 2022.

## CIRRUS MEDIA - CATALYST BUYOUT FUND 2

Cirrus Media is Australia's largest business-to-business media company, with a diverse portfolio of leading print publications, websites, events and conferences and online industry portals providing information to professionals in a diverse range of industries. Key industry verticals include healthcare, wealth management and mining.



Cirrus represents 7.7% of VPEG's remaining Private Equity portfolio as at 31 December 2020.

Cirrus Media/ADG finished the quarter in line with its trading patterns and trends in line with the last 6 months.

The GP community is at the forefront of the defence/fight, stabilisation, and recovery effort in relation to COVID-19, and is now preparing for the roll-out of the vaccination. As these changes occur, their appetite for current and trustworthy information on the pandemic at a local and professional level is also elevated. Catalyst expects this to remain the case for some period yet.

Simultaneously, the pharmaceutical industry is also tackling significant change, including a range of drugs seeing huge volume shifts, and large R&D efforts around COVID-19 related issues. Pharma companies are unable to utilise their traditional "sales rep" model to communicate with and educate doctors. This is accelerating the trend of doctors refusing to see sales reps and disconnecting from this activity and seeking their information from digital sources, which is increasing subscriptions of Cirrus Media's publications.

## PORTFOLIO STRUCTURE

### VPEG's PORTFOLIO STRUCTURE - 31 DECEMBER 2020

The tables and charts below provide information on the breakdown of VPEG's underlying investments as at 31 December 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 81.8% to 73.8% with the cash and fixed interest component of the portfolio increasing from 18.2% to 26.2% of the total portfolio value.

The reduction in VPEG's exposure to Private Equity and subsequent increase to Cash and Fixed Interest investments was due to the IPO of underlying investment Dusk and the subsequent receipt of distributions from Catalyst Buyout Fund 2 by VPEG during the quarter as a result of this exit.

Cash	Short Term Deposits	Private Equity	
0.2%	26.0%	Later Expansion	0.0%
		Buyout	73.8%



## PRIVATE EQUITY PORTFOLIO

VPEG, with remaining commitments to two Private Equity funds, ultimately held interests in 3 underlying company investments as well as residual holdings of an ASX listed portfolio company and one other previously exited company. VPEG's Private Equity portfolio and commitments, as at 31 December 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	5
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
<b>Total</b>				<b>\$43.0m</b>	<b>\$38.53m</b>	<b>49</b>	<b>46</b>

## 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 December 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	55.0%	55.0%
2	Dusk	Catalyst Buyout Fund 2	Specialty Retailer of Candles	25.9%	80.9%
3	Supercars	Archer Capital Fund 4	Premier Motor Sport Events	11.0%	91.9%
4	Cirrus Media	Catalyst Buyout Fund 2	Australian business to business media company	7.7%	99.6%
5	Morris Corporation	Catalyst Buyout Fund 2	Remote Facilities Management & Accommodation Services	0.4%	100%

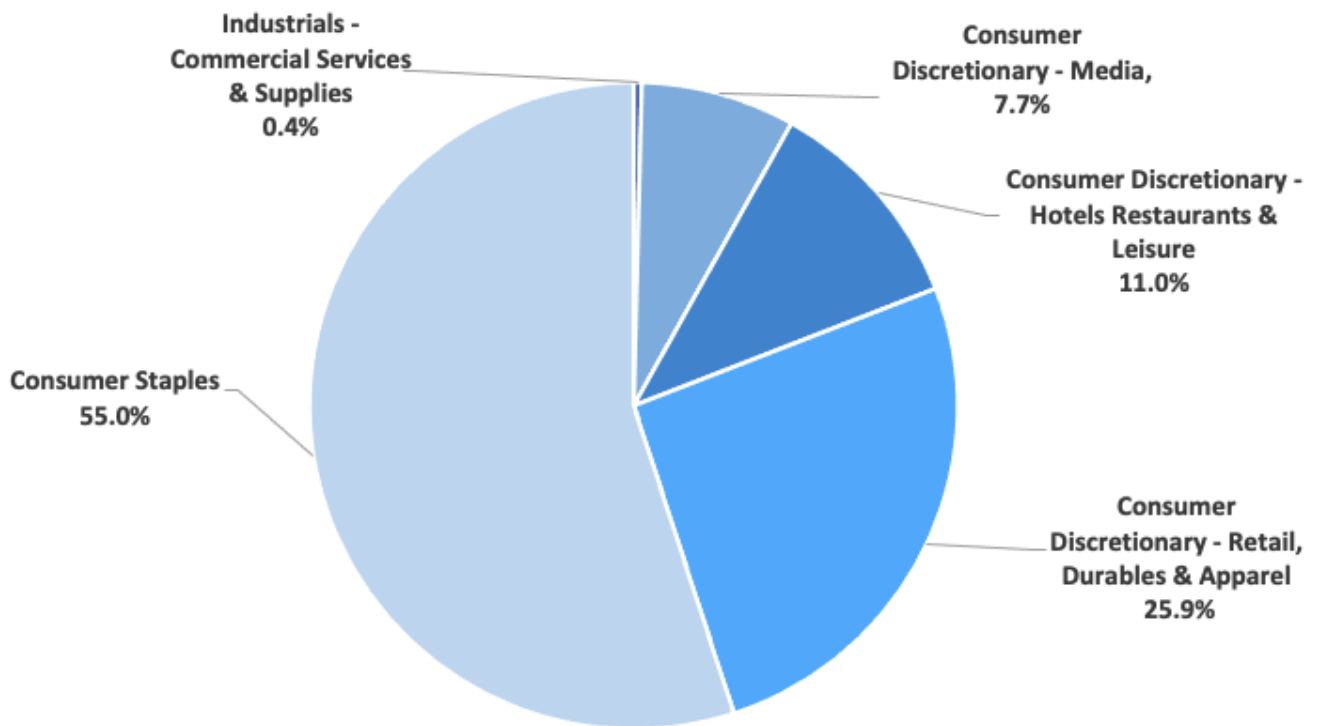
Note: as at 31 December 2020 (unaudited) calculated on VPEG's Pre-Tax Net Asset Value (NAV).

### INDUSTRY SPREAD OF VPEG’S UNDERLYING INVESTMENTS

As a result of the partial sell down of Dusk by underlying investee Catalyst Buyout Fund 2 via an IPO listing during the quarter, the “Consumer Discretionary – Retail, Durables & Apparel” industry sector decreased from 41.3% to 25.9%.

As a result of this sale, all other industry sector exposures marginally increased across VPEG’s portfolio at quarter end.

VPEG’s exposure to the “Consumer Staples” industry sector which consists of Vesco Foods represented VPEG’s largest industry exposure at 55.0% of VPEG’s total Private Equity portfolio at quarter end.



## MARKET AND ECONOMIC CONDITIONS

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The December 2020 quarter saw global and domestic economic activity rebound faster than anticipated. Positive News circulated world media of the development of multiple effective vaccines boosted equity markets and lowered credit risk premiums during November, notwithstanding rising COVID-19 case numbers and tighter lockdown measures in many jurisdictions. A range of asset prices during the quarter were supported by the more robust long-term global outlook and the very accommodative stance of monetary policy. Spreads between corporate and government bond yields narrowed further. Globally, equity prices have continued to increase as markets saw a reduction in uncertainty from investors following the outcome of the US election. In addition and better-than-expected earnings reports in advanced economies also supported equity prices.

A rebound in household consumption is well under way and evolving broadly as expected following a record contraction in the June quarter. A bounce-back in spending in Victoria has assisted this, as a wider range of consumption possibilities began to open up throughout the quarter in that state. Indicators such as retail trade, new car sales and payments information indicated that the recovery in consumption continued in the December quarter; high household savings is likely to support consumption in the period ahead. At the same time, the ability of households to consume some services continues to be constrained by pandemic-related restrictions.

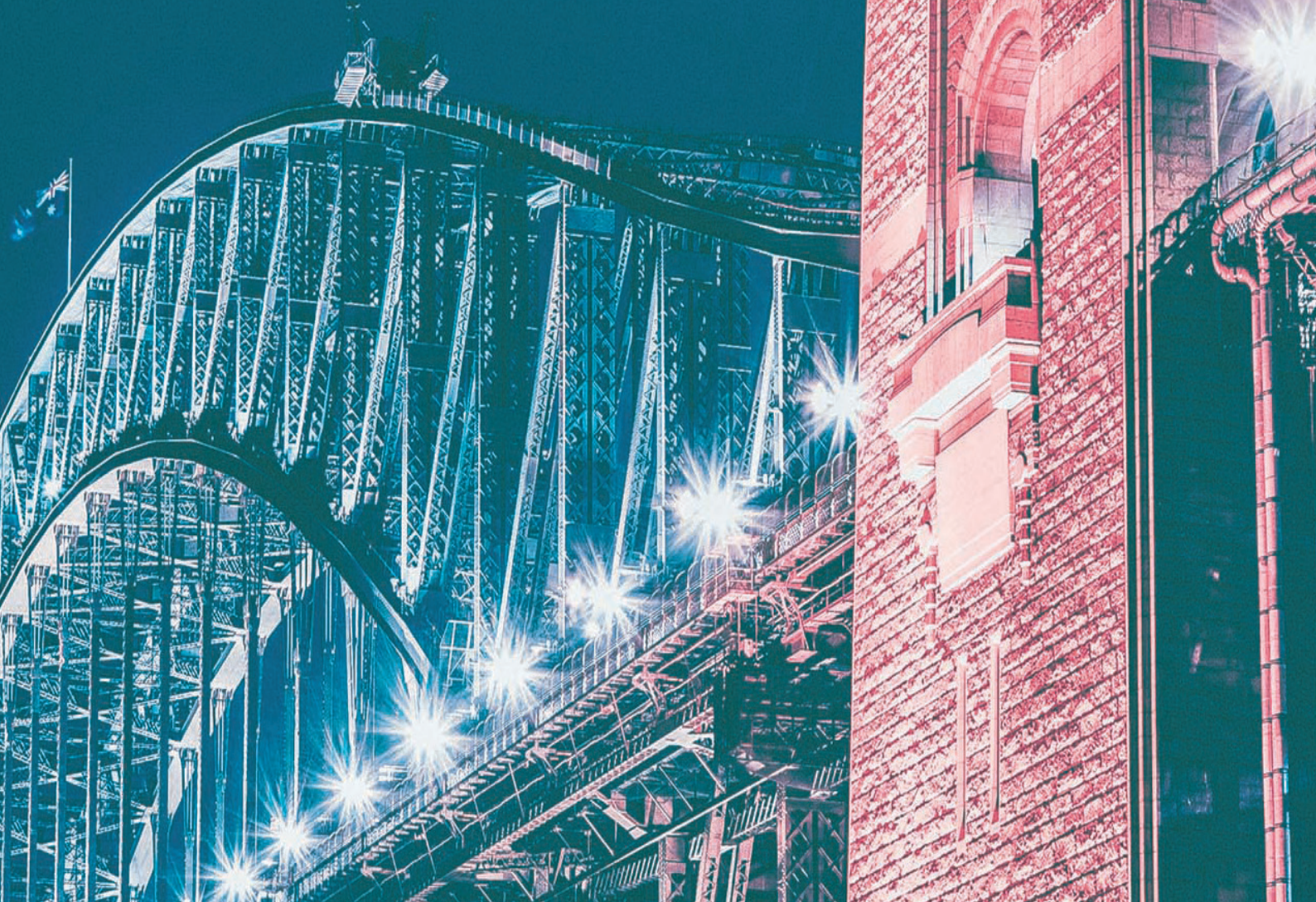
Despite these positive developments, unemployment ticked up in recent months and broader measures of labour underutilisation remains high. Hours worked are around 4 per cent lower than before the pandemic, and many employed workers are still on reduced or zero hours. The recovery in employment and average hours worked for full-time workers has been much more subdued compared with those working part time.

The unprecedented degree of fiscal and monetary policy stimulus since the outbreak of the pandemic has played a key role in supporting the economy. Australia's GDP increased by 3.3% in the September quarter, as revealed by official data on 2 December, ending its first recession since 1991. This was the largest Quarter on Quarter GDP increase since 1976. Household consumption in the September quarter rebounded 7.9%, driven by a 9.8% increase in services spending. The December quarter is also expected to show a strong result of at least 2% growth when the official data is released.

During the quarter, the Australian Private Equity market saw 8 new deals being announced and 4 completed. 9 of these companies were buyout transactions and 3 were growth deals, with 3 of the 12 deal in the business support services sector, 2 in healthcare and others in software and logistics. The IPO market has been active this quarter with IPO exits for multiple Private Equity backed businesses being successfully executed.

Given the outlook for both employment and inflation, the RBA has acknowledged that monetary and fiscal support will be required for some time. The RBA Board remains committed to not increasing the cash rate until actual inflation is sustainably within the 2 to 3 per cent target range. For this to occur, wages growth would have to be materially higher than recent levels. This would require significant gains in employment and a return to a tight labour market. Given the outlook, the Board does not expect to increase the cash rate for at least 3 years.





## CONTACT DETAILS

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