



# QUARTERLY REPORT

# VANTAGE PRIVATE EQUITY GROWTH LIMITED

QUARTERLY INVESTOR REPORT  
30 JUNE 2023

# VPEG

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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

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 was to achieve attractive medium to long-term returns on Private Equity investments while keeping the volatility of the overall investment portfolio low. This was 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, with total initial commitments of \$43m across seven Private Equity funds has now been fully divested.

As a result, as at 30 June 2023, VPEG held no further underlying investment commitments, or underlying company investments with only cash remaining as its sole asset.

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. VPEG's investment commitment of \$8m to Archer Capital Fund 4 ended upon the final distribution occurring in June 2022, which related to the residual proceeds received from the exit of its' final portfolio company in December 2021. VPEG's investment commitment of \$8m to Catalyst Buyout Fund 2 ended upon the secondary sale of VPEG's remaining portfolio interests in April 2023, with the proceeds received following that sale, in May 2023.

Given that all underlying investment commitments have now been sold, an anticipated final distribution will be made to all VPEG shareholders at the completion of the liquidation process. As such, this will be the final quarterly report provided to investors.

## SPECIAL POINTS OF INTEREST

*VPEG's Investment Committee approved the sale of VPEG's interests in Catalyst Buyout Fund 2 to a secondary purchaser – the sale was completed in April 2023*

*With the secondary sale now completed, VPEG ultimately held no interests in any underlying company investments as at 30 June 2023*

*On Thursday, 25<sup>th</sup> May 2023, an Extraordinary General Meeting of Shareholders was held for VPEG, where several resolutions were passed which marked the formal commencement of the liquidation of VPEG*

*Following the completion of the liquidation process a final distribution of approximately 4.5 cents / share will be paid to all shareholders during September 2023, representing the remaining net assets of the company*

## KEY FUND DEVELOPMENTS

On Thursday, 25<sup>th</sup> May 2023, an Extraordinary General Meeting of Shareholders was held for VPEG, where several resolutions were passed which marked the formal commencement of the liquidation process for the entity. This meeting was held subsequent to the sale of the portfolio's final investment interests in Catalyst Buyout Fund 2 to a secondary purchaser in April 2023.

At 5pm on 25<sup>th</sup> of May 2023, Mr. David Hurst of Mackay Goodwin was appointed as liquidator of VPEG (the Company).

The liquidation process currently continues to progress within the timeline indicated by the liquidator. Upon the liquidator obtaining all required approvals, the company will be wound up and the liquidator will instruct the registry to process the final distribution of the Company's assets to the shareholders.

All assets remaining in the fund are in the form of cash and fixed interest, income held with Westpac Bank, with no private equity exposure as at 30 June 2023.

As detailed in the correspondence provided to shareholders and posted to VPEG's website during April and May 2023, the liquidation process will take approximately 2-3 months following which all remaining cash held by the Company will be distributed to investors.

## PRIVATE EQUITY PORTFOLIO

Due to the secondary sale of VPEG's remaining interests held in Catalyst Buyout Fund 2, which was completed in April 2023, VPEG held no further investment commitments to any private equity fund within its underlying portfolio at quarter end. As a result, VPEG's Private Equity portfolio is fully divested as at 30 June 2023, with a summary of what was in the portfolio as follows:

Private Equity Fund Name	Fund / Deal Size	Vintage Year	Investment Focus	VPEG Commitments (fully divested)	Capital Drawn Down	Total No. of Investee Companies	No. of Exits
<b>Advent V</b>	\$300m	2006	Lower to Mid Market Expansion / Buyout	\$4.0m	\$4.00m	8	8
<b>Archer Capital Fund 4</b>	\$1,360m	2007	Mid Market Buyout	\$8.0m	\$7.27m	10	10
<b>Catalyst Buyout Fund 2</b>	\$438m	2008	Mid Market Buyout	\$8.0m	\$6.38m	7	7
<b>Crescent Capital Partners III</b>	\$400m	2006	Lower to Mid Market Expansion / Buyout	\$4.0m	\$3.95m	6	6
<b>Equity Partners Fund No. 3</b>	\$76m	2007	Lower Market Expansion / Buyout	\$4.0m	\$3.69m	6	6
<b>Next Capital II</b>	\$285m	2008	Lower to Mid Market Expansion / Buyout	\$7.0m	\$6.18m	7	7
<b>Quadrant Private Equity No. 2</b>	\$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>49</b>

## SUMMARY OF VPEG's PERFORMANCE SINCE INCEPTION

### *A Challenging Investment Environment during the GFC*

VPEG was established in late 2006, deploying capital amidst challenging market conditions caused by the Global Financial Crisis (GFC). The 2006 vintage year proved to be particularly difficult for private equity funds globally, with average and top quartile IRRs for 2006-2008 vintage funds being noticeably lower than funds raised before and after the crisis. This can be attributed to several factors:

- *Constrained Financing Options:* The weakened financial landscape made it more difficult for funds to secure debt financing, limiting their ability to execute investment strategies effectively.
- *Decreased Consumer Spending:* The recessionary climate resulted in reduced consumer spending, which adversely affected the financial performance of some portfolio companies.
- *Restricted Credit Markets:* The GFC caused credit markets to tighten, making it arduous for portfolio companies to obtain financing, hampering their growth and profitability.
- *Declined Business Confidence:* The uncertain economic environment during the GFC eroded business confidence, leading to muted performance and hampering expansion plans by portfolio companies.
- *Depreciated Asset Valuations:* The GFC precipitated a significant decline in asset valuations, diminishing prospects for profitable exits for private equity funds.
- *Limited Exit Opportunities:* Distressed market conditions during the GFC made it challenging for funds to identify suitable buyers or achieve favourable exit valuations for their investments.

### *How did VPEG Perform?*

Despite the unfavourable climate, VPEG generated a creditable gross annualised internal rate of return (IRR) of 10.1% p.a. since inception on 1<sup>st</sup> December 2006 to 30 June 2023. Despite the challenging investing environment that occurred through and post-GFC this is still a relatively sound result for VPEG investors at a significantly reduced level of risk in comparison to public equity markets. This achievement is a testament to Vantage's due diligence process in identifying top quartile performing managers that can navigate through economic turmoil and deliver consistently robust risk adjusted returns for its investors.

In fact five out of the seven underlying funds invested in by VPEG delivered top quartile returns for their respective vintage years, indicating the lower overall returns for PE funds investing across that GFC period.

VPEG's portfolio composition allowed for consistent distributions back to investors. As at 30 June 2023, VPEG has distributed a total of \$1.622 / \$ of Committed Capital to investors, which excludes the final distribution that will occur once the fund liquidation has occurred (estimated to be \$0.045 per share). According to Pitchbook's 2023 Global PE Fund of Funds data, VPEG ranks in the top quartile globally for distribution to paid-in capital (DPI) with a ratio of 1.66x compared to all Private Equity Fund of Funds formed during 2006.



### *Vantage's Fund Activity since VPEG*

Since raising VPEG, Vantage has raised and invested an additional four fund of funds, focusing on investing in funds managed top-quartile Australian & New Zealand private equity managers investing in the lower to mid-market.

An overview of the performance of Vantage's fund of funds as at 30 June 2023 is demonstrated below:

Fund	Vintage Year	Fund Commitments	NAV (June 2023)	Total Distributions	Total NAV + Distributions	Net Annualised Return (IRR)*
<b>VPEG2</b>	2014	\$51.1m	0.876	1.409	2.285	19.0%
<b>VPEG3</b>	2017	\$67.6m	1.477	0.199	1.676	18.0%
<b>VPEG4</b>	2019	\$172m	0.289	0.01	0.299	NA
<b>VPEG5</b>	2021	\$159m	0.135	0.01	0.145	NA

\*IRR's have been calculated from final close of each Fund and are net of fees. The IRR's for VPEG4 and VPEG5 are not applicable given the early stage of both of these Funds which are still developing their portfolios.

With the current market environment presenting more private business opportunities at attractive valuations it is a good time to be investing into the Private Equity asset class. Vantage's Private Equity Growth Funds are well-positioned to leverage these advantages and provide wholesale investors access to top quartile performing private equity investments. Vantage's currently open Fund Vantage Private Equity Growth 5 (VPEG5) offers a diversified portfolio of top quartile performing private equity investments designed to generate strong medium to long-term returns across all economic cycles.

VPEG5 is targeting \$250 million in total commitments, which will close to new investors in December 2023. As at 30 June 2023, VPEG5 has made a total of \$159 million in investment commitments across 8 primary private equity funds and 4 co-investments.

The fund remains open to investors for investment until December 2023. If you wish to learn more about VPEG5 as a potential investment opportunity, please contact Vantage via email [info@vantageasset.com](mailto:info@vantageasset.com) or call +61 9067 3133 to request a meeting with one of Vantage's Principals for more information.

## CONTACT DETAILS

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