

Vantage Private Equity Growth 2

Quarterly Investor Report — Quarter Ending 31 December 2014



Special points of interest:

- VPEG2 Commits \$5.5m to Mid Market Buyout Specialist Next Capital Fund III.
- Next III acquires Controlling Interest in National Leasehold Aged Care Business Infinite Aged Care
- Next III Completes Management Buy-out of Leading Urban Bus Operator Forest Coach Lines.
- VPEG2 Commits \$6m to Private Equity Transformational Capital Specialist, Allegro Fund II, Whose First Investment is Australia's 2nd Largest Bus Manufacturer, Custom Bus.

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SUMMARY

Background

Vantage Private Equity Growth 2 (VPEG2) is a multi manager Private Equity investment fund structured as twin Australian unit trusts (VPEG2A & VPEG2B). VPEG2 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 Fund'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.

VPEG2 will invest 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 headquartered in Australia and New Zealand, with enterprise value at initial investment of between \$20m and \$500m.

VPEG2's private equity investment portfolio will be developed over time and will ultimately make investment commitments into between six to eight private equity funds, including new (or Primary) private equity funds being established as well as into existing (or Secondary) private equity funds. To date VPEG2 has made commitments of \$11.5m across two Primary private equity funds who in turn hold interests in three underlying companies. As at 31 December 2014, VPEG2's investment commitments include; \$6m to Allegro Fund II and \$5.5m to Next Capital Fund III.

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 and Trustee of Vantage Private Equity Growth (Trusts 2A & 2B)). 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. All \$ referred to in this report are Australian dollars

Performance

The period 1 October 2014 to 31 December 2014 saw VPEG2 commence the establishment of its private equity investment portfolio.

During the period, two new (primary) private equity fund investment commitments were made by VPEG2. Following the first investment commitment, capital was called from VPEG2 and two new underlying private equity investments were added to VPEG2's private equity portfolio. Another company investment will be added to VPEG2's portfolio when capital is called from VPEG2, during the March 2015 quarter, by the second fund to which VPEG2 has made an investment commitment.

The first table to the right provides a summary of the performance of VPEG2A's portfolio during the December 2014 quarter. As demonstrated VPEG2A's Net Asset Value (NAV) initially dropped to below the \$0.05 paid capital per partly paid unit, due to the payment of adviser referral fees and other costs associated with the establishment and management of VPEG2A. The NAV then increased initially from \$0.017 to \$0.021 per partly paid unit then further increased to \$0.075 per partly paid unit during December when call number 2 for an additional 5% of committed capital was paid by VPEG2A investors to the fund.

The second table to the right provides a summary of the performance of VPEG2B's portfolio during the December 2014 quarter.

As demonstrated VPEG2B's Net Asset Value (NAV) initially dropped from the issue price of \$1.00 per unit due to the payment of adviser referral fees and other costs associated with the establishment and management of VPEG2B.

VPEG2B's NAV then increased slightly during the quarter from \$0.977 to \$0.978 per unit as the interest earned on VPEG2B's cash investments exceeded the management, custody and administration costs incurred by the trust during the December quarter.

Key Portfolio Developments

During the December 2014 quarter, VPEG2 commenced its private equity investment program with investment commitments made to two new (primary) private equity funds.

In November 2014, VPEG2 committed \$5.5m to **Next Capital Fund III** (Next III), managed by Sydney, Australia based, private equity mid market specialist, Next Capital.

In December 2014, VPEG2 committed \$6.0m to **Allegro Fund II** (Allegro II), managed by Sydney, Australia based, private equity "transformational capital" specialist, Allegro.

Draw downs during the quarter from VPEG2, totaling **\$690,000**, were made to Next III, the majority of which funded VPEG2's share of two new underlying company investments completed by Next III during December 2014. The remaining capital drawn from VPEG2 during the quarter contributed toward working capital expenditure (i.e. underlying fund costs and management fees for Next III)

Prior to the quarter **Allegro II** completed the Management Buy-in of Australia's second largest bus manufacturer **Custom Bus**. VPEG2's share of this investment will be called by March 2015.

During December **Next III** acquired a controlling interest in national leasehold aged care business **Infinite Aged Care**.

Also During December **Next III** completed the Management Buy-out of leading urban bus operator **Forest Coach Lines**.

With Next III completing two investments and Allegro II having completed one additional investment (with funds yet to be drawn from VPEG2), two underlying company investments existed within VPEG2's portfolio as at 31 December 2014 with one additional investment to be added once funds are drawn from VPEG2 during the March 15 quarter.

Month Ending	VPEG2A Paid Capital / Partly Paid Unit (\$)	VPEG2A NAV / Partly Paid Unit (\$)
31-Dec-14	0.10	0.075
30-Nov-14	0.05	0.021
31-Oct-14	0.05	0.016
30-Sep-14	0.05	0.017

Month Ending	VPEG2B NAV / Fully Paid Unit (\$)
31-Dec-14	0.978
30-Nov-14	0.979
31-Oct-14	0.977
30-Sep-14	0.977

“Two underlying private equity company investments existed within VPEG2's portfolio as at 31 December 2014”

Overview of New Investment Commitments

Next Capital Fund III

In November 2014 VPEG2 committed \$5.5m to Next Capital Fund III managed by Sydney based Next Capital Management Pty Ltd.



Next Capital Management (www.nextcapital.com.au) was established in 2005 by Sandy Lockhart, Patrick Elliott and John White, who were former principals of Macquarie Bank's private equity arm, Macquarie Direct Investment Limited (MDI).

MDI raised and invested four private equity funds with the founders of Next Capital delivering top quartile returns across the MDI investments in which they were involved.

Having completed more than 50 investments and 42 exits across more than 25 years of investing, the executive team at Next Capital represent one of the most commercially experienced Private Equity managers in the Australian and New Zealand markets.

Examples of the executive team's previous investments while at MDI include;

- JB Hi-Fi, acquired by MDI in July 2000 for \$42 million and subsequently listed on the ASX in October 2003 at an enterprise value of \$175 million delivering an Internal Rate of Return (IRR) on the investment of 88% p.a. and 6.5 times equity capital invested.

- InvoCare, acquired by MDI in May 2001 and subsequently listed on the ASX in December 2003, raising \$172 million, delivered an IRR of 48% p.a. and 2.8 times equity capital invested.

Examples of recent exits from the Next Capital Fund II portfolio include;

- Discovery Holiday Parks, acquired in December 2010 and ultimately sold to Sun-Super in October 2013 at an Enterprise Value of \$240 million, delivered a >2.5x multiple of money and a 38% IRR.

- Aero Care, acquired in September 2011 and ultimately sold to a fund managed by Archer Capital in July 2014 delivered an initial 52% IRR on the base enterprise value, increasing to 54% IRR should the earnout amount be paid on achievement of agreed earnings in FY16.

Next Capital III, with a target fund size of \$300m, is focussed on investing into small to mid-market expansion and buyout opportunities of profitable, Australian & New Zealand businesses, with enterprise value of between \$50 million and \$200 million at investment.

Next Capital III has completed two investments to date; Forest Coach Lines and Infinite Aged Care.

Overview of New Investment Commitments (continued)

Allegro Fund II

In December 2014 VPEG2 committed \$6.0m to Allegro Fund II managed by Sydney based Allegro Funds Pty Ltd (www.allegrofunds.com.au) an independently owned Australian fund manager investing primarily in mid-market businesses within Australia and New Zealand. Allegro currently manages more than \$1.1 billion of enterprise value in investments.

Allegro are specialists in “Transformational Capital” – applying capital and expertise to unlock and create value. Allegro invest equity funds on behalf of their investors, and work in partnership with management to realise growth potential and deliver enduring value to their investors.

In September 2008, Allegro became the first fund manager to be backed unanimously by institutional investors to replace the incumbent manager of an Australian private equity fund, when it was appointed to manage the \$300 million ABN AMRO Capital Australia Fund II (renamed Allegro Private Equity Fund I).

Today Allegro is recognised as a leading fund manager in the mid-market segment. Allegro’s staff of nine, including six investment professionals, bring deep and varied experience in investing, turnaround management and operational value creation. Allegro have a proven ability to originate, evaluate and execute quality deals, and to drive value from mid-market businesses.

An active manager of portfolio assets, Allegro prefers hands-on involvement in both strategy and overseeing operational improvement. Allegro believe that staying close to portfolio companies is the surest path to extracting the value, and returns, that investors demand.

The performance of Allegro Fund I bears the hallmark of this distinctive approach. Since Allegro was appointed manager, the fund has generated attractive returns through the economic cycle, despite facing some of the worst conditions seen in generations following the global downturn of 2008.

Since 2010 Allegro has been pursuing a strategy of investing in stand alone opportunities in partnership with leading Australian Super Funds, Global private equity funds (KKR), leading global hedge funds and more recently via Allegro Fund II.

The \$180m target Allegro Fund II completed its first close at \$120m during November 2014, backed by both local and global institutional investors.

Allegro II has completed one investment to date; Custom Bus.



Overview of New Investments

Infinite Aged Care - Next Capital III

On 10 December 2014, Next Capital III acquired a controlling interest in Infinite Aged Care (Infinite). Infinite was established by two experienced operators in the aged care and property sectors with the objective of building a national leasehold aged care business.

The seed assets include five high performing facilities in South Australia (totalling 380 beds) and 250 bed licenses in South East Queensland. Infinite's strategy will involve establishing at least two regional clusters of facilities under strong asset-level and corporate management. Infinite aims to capture upside through acquisitions, developments, refurbishments and operational improvements.

The Adelaide assets incorporate two groups, the Bonney Healthcare Group and the Mohindra Group, comprising 380 operating beds and an additional 20 unused bed licenses. Both groups generate industry leading EBITDA per bed, with each facility providing material development and refurbishment potential. The Bonney management team, led by a highly capable general manager, will oversee Infinite's South Australian operations, including additional facilities targeted for acquisition.

As part of the acquisition, 250 aged care licenses have also been secured to establish two large greenfield facilities in South East Queensland. These licenses provide an exciting opportunity to establish a second cluster of assets, leveraging the corporate management team's substantial property development expertise.



Forest Coach Lines - Next Capital III

On 23 December 2014, Next Capital III executed a management buy-out of Forest Coach Lines (Forest). Established in 1930 Forest is a leading urban bus operator, currently focused on delivering passengers from Sydney's north shore to four of Sydney's key metropolitan centres; the CBD, North Sydney, Chatswood and Macquarie Centre. Forest also operates an ancillary charter business providing short group transfers, or extended group tours to regional locations across the country.

Forest Coach Lines employs 130 staff and is fully committed to providing the highest standard of route and school bus services. Volvo and Mercedes-Benz units predominate in the well-presented fleet of 95 vehicles

The majority of Forest's earnings are generated under a long-term contract with the New South Wales transport authority. Next Capital's investment thesis for Forest is to drive organic earnings growth from its core region, whilst building a broader business through acquiring and tendering across Australia.



Overview of New Investments

Custom Bus - Allegro II



On 15 August 2014, Custom Bus was acquired by Allegro II in consortium with the former management and owners of the business, and the business became the first investment in Allegro II. The "Management Buy in" team is led by former owner and managing director of Custom, Mark Burgess, whose family established the business in 1955.

Custom Bus specialises in building large (41+ seat) government (metro) and school buses and is the 2nd largest bus builder in Australia with 60 years of operating history in the local industry. Custom Bus has a 20,000 sqm purpose built manufacturing facility at Villawood, Sydney which employs approximately 140 staff.

The business is currently completing a contract to build buses for the NSW State Transit Authority and also has a contract to supply buses to the South Australia departments of transport and education. Custom Bus built more than 220 buses in 2013 accounting for about 15 per cent of the Australian market.

Allegro's investment thesis for Custom Bus is based on expected growing demand for city buses as more public transport is required plus legislation requiring larger numbers of buses to be provided with disability access and for rural school buses to be made safer with seat belts fitted.

VPEG2's share of Custom Bus will be funded to Allegro II during the March quarter of 2015.

PORTFOLIO STRUCTURE

VPEG2's Portfolio Structure – 31 December 2014

The tables and charts below provide information on the breakdown of VPEG2's investments as at 31 December 2014.

Current Investment Portfolio Allocation*

The following tables provide the percentage split of the current investment portfolio of each of VPEG2A and VPEG2B, across cash, fixed interest securities (term deposits) and Private Equity.

The Private Equity component of each portfolio is further broken down by the investment stage (Later Expansion or Buyout) of the underlying investments that currently make up each trust's Private Equity portfolio.

VPEG2A			
Cash	Fixed Interest	Private Equity	
13.2%	61.7%	Later Expansion	0.0%
		Buyout	25.1%

Note; As VPEG2A is currently holding more than 70% of paid capital from unit holders in cash and fixed interest investments, it is anticipated that sufficient funds remain in VPEG2A to meet the short term obligations of the trust and its underlying fund commitments and as such it is anticipated that no additional capital calls will be made on VPEG2A unit holders during the March 2015 quarter.

VPEG2B			
Cash	Fixed Interest	Private Equity	
1.4%	95.5%	Later Expansion	0.0%
		Buyout	3.1%

"At 31 December 2014, VPEG2 ultimately held interests in two underlying company investments, with a further investment to be funded early in 2015"

Private Equity Portfolio

VPEG2, with commitments to two Private Equity funds, ultimately held interests in two underlying company investments, at quarter end with a further to be funded during the March 2015 Quarter. VPEG2's Private Equity portfolio and commitments, as at 31 December 2014, 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
				VPEG2A	VPEG2B	VPEG2A	VPEG2B		
Next Capital Fund III	\$300m*	2014	Small to Mid Market Expansion / Buyout	\$3.5m	\$2.0m	\$0.44m	\$0.25m	2	0
Allegro Fund II	\$180m*	2014	Small to Mid Market Expansion / Buyout	\$4.0m	\$2.0m	\$0.0m	\$0.0m	1**	0
Total				\$7.5m	\$4.0m	\$0.44m	\$0.25m	3	0

* Target Fund Size

** VPEG2's share of this investment to be funded to Allegro II during the March 2015 quarter

PORTFOLIO STRUCTURE — continued

Summary of VPEG2's Underlying Private Equity Investments

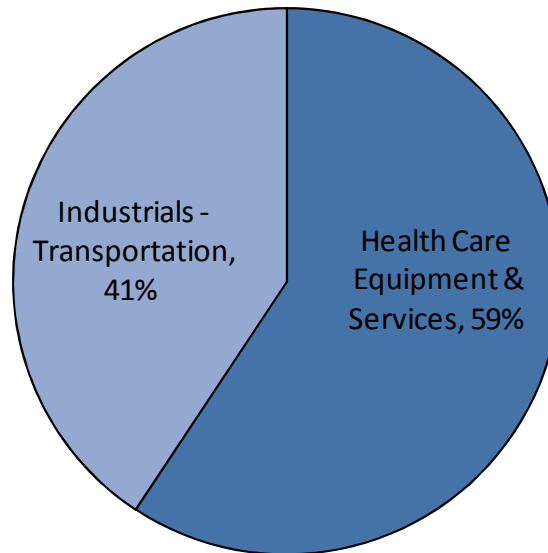
The table below provides an overview of the spread of underlying private equity investments in VPEG2's portfolio, for which funds had been drawn from VPEG2 (on a pro rata basis across both trusts A & B), as at 31 December 2014.

Rank	Investment	Fund	Description	% of VPEG2's Private Equity Investments	Cumulative %
1	Infinite Aged Care	Next Capital III	Aged Care Operator and Developer	59.3%	59.3%
2	Forest Coach Lines	Next Capital III	Urban Bus Fleet Owner and Operator	40.7%	100.0%

Industry Spread of VPEG2's Underlying Investments

With the addition of Infinite Aged Care and Forest Coach Lines to VPEG2's underlying private equity portfolio during the December 2014 quarter, VPEG2's initial industry exposure is to the "Health Care" and the "Industrials - Transportation" industry sectors.

Health Care is VPEG2's largest industry exposure, representing 59% of the value of VPEG2's total Private Equity portfolio as at 31 December 2014.



CONTACT DETAILS

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