

# VANTAGE PRIVATE EQUITY GROWTH 2

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VPEG2A & VPEG2B  
QUARTERLY REPORT  
30 JUNE 2018

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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 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.

# SUMMARY

## BACKGROUND

### SPECIAL POINTS OF INTEREST

ODYSSEY FUND 8 COMPLETES THE ACQUISITION OF MINE SITE TECHNOLOGIES, A LEADING PROVIDER OF UNIFIED COMMUNICATION PRODUCTS.

ADAMANTEM CAPITAL FUND 1 INVESTS IN SERVIAN, A SPECIALISED DATA AND ANALYTICS CONSULTANCY FIRM.

ALLEGRO FUND II PORTFOLIO COMPANY, CARPET COURT NZ, COMPLETES THE ACQUISITION OF CURTAIN STUDIO, A LEADING RETAILER OF WINDOW FURNISHINGS IN NEW ZEALAND.

THREE NEW INVESTMENTS COMPLETED / ANNOUNCED DURING THE QUARTER, BRINGING THE TOTAL OF UNDERLYING COMPANY INVESTMENTS IN VPEG2'S PORTFOLIO TO 37.

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 has made \$51.1m\* of commitments across eight Private Equity funds and completed one co-investment. As a result, VPEG2 has invested in 37 underlying company investments, with two exits completed to date. As at 30 June 2018, VPEG2's investment commitments include; \$10m to Adamantem Capital Fund 1; \$8m to each of CHAMP IV, Next Capital Fund III and Odyssey Private Equity Fund 8; \$6m to Allegro Fund II, \$5m to Mercury Capital Fund 2, NZ\$4m to Waterman Fund 3, NZ\$2m to Pencarrow Bridge Fund and a \$0.5m co-investment with Yorkway Partners in Fitzpatrick Financial Group.

\* Assumes an average AUD / NZ exchange rate 1.07 for VPEG2's investment commitments to Waterman Fund 3 & the Pencarrow Bridge Fund.

# PERFORMANCE

The period 1 April 2018 to 30 June 2018 saw continued growth in VPEG2's portfolio of Private Equity investments.

During the period, three new investments were completed and two bolt on acquisitions was added to existing investments within VPEG2's Private Equity portfolio.

During the June quarter, six capital calls were made on VPEG2, by underlying funds with the majority of these calls required to fund the acquisition of new and bolt on underlying private equity company investments.

VPEG2 also received a distributions in the form of dividends, interest and capital, from two underlying funds during the quarter resulting from the final close of one fund and strong operational performance of companies within the portfolio of the another fund. Unitholders in VPEG2A and VPEG2B will receive their share of this distribution, that is not recallable by these funds, during the September 2018 quarter.

The first table to the right provides a summary of the performance of VPEG2A's portfolio during the June 2018 quarter. As demonstrated, VPEG2A's Net Asset Value (NAV) increased by a net 6.2% across the quarter from \$0.680 per partly paid unit at 31 March 2018 to \$0.798 per partly paid unit at 30 June 2018. The increase in NAV resulted predominately from the simultaneous call (10c per unit) and distribution (2.5c per unit) issued to VPEG2A unit holders in June. This resulted in the Paid Capital from VPEG2A unit holders increasing to \$0.79 per partly paid unit at 30 June 2018. The remainder of the uplift in the VPEG2A NAV resulted from an increase in the holding value of underlying portfolio companies across the quarter, due to an improvement in earnings of those companies.

Month Ending	VPEG2A Paid Capital / Partly Paid Unit (\$)	VPEG2A NAV / Partly Paid Unit (\$)
30-Jun-18	0.79	0.798
31-May-18	0.69	0.685
30-Apr-18	0.69	0.687
31-Mar-18	0.69	0.680

The second table to the right provides a summary of the performance of VPEG2B's NAV per unit during the June 2018 quarter.

As demonstrated, VPEG2B's NAV increased by 4.2% across the quarter from \$1.025 per unit to \$1.068 per unit. The increase in NAV resulted from an increase in the holding value of underlying portfolio companies across the quarter, due to an improvement in earnings of those companies.

Month Ending	VPEG2B NAV / Fully Paid Unit (\$)
30-Jun-18	1.068
31-May-18	1.029
30-Apr-18	1.032
31-Mar-18	1.025

# KEY PORTFOLIO DEVELOPMENTS

THREE NEW INVESTMENTS COMPLETED / ANNOUNCED DURING THE QUARTER, BRINGING THE TOTAL OF UNDERLYING COMPANY INVESTMENTS IN VPEG2'S PORTFOLIO TO 37.

During the June 2018 quarter, VPEG2 continued to grow its underlying Private Equity portfolio with three new underlying company investments and two bolt-on investments completed during the quarter.

Draw downs during the quarter from VPEG2, totaling \$1,872,360 were made to Allegro Fund II ('Allegro II'), Odyssey Private Equity Fund 8 ('Odyssey 8'), the Pencarrow Bridge Fund ('Pencarrow') and Waterman Fund 3 ('Waterman 3')

The majority of these draw downs were used to fund VPEG2's share of new and bolt-on underlying company investments completed during the quarter, with the remaining capital called to fund additional working capital requirements of underlying funds.

In April 2018, Pencarrow completed the investment into Epicurean Dairy Holdings, branded as The Collective, a leading manufacturer and distributor of gourmet yoghurt. (See VPEG3 March 2018 Quarterly Report).

During May 2018, Allegro II portfolio company, Carpet Court NZ, completed the bolt on acquisition of Curtain Studio, a leading retailer of window furnishings in New Zealand.

In June 2018, Waterman 3 portfolio company, Provincial Education Group acquired a further five childcare centres to add to its existing portfolio, expanding the total number of childcare centres to 40.

In addition, during June 2018, Odyssey Private Equity Fund 8 completed the acquisition of Mine Site Technologies, a leading provider of unified communication products to the mining and tunnelling sectors.

Also, during June 2018, Adamantem Capital Fund 1 invested in Servian, a specialised data and analytics consultancy firm. VPEG2's share of funding for this investment was paid by VPEG2 during July 2018.

During the quarter, VPEG2 also received distributions totaling \$1,540,220 from underlying funds, Adamantem Capital Fund 1 and CHAMP IV. These distributions resulted from the final close equalisation payment by Adamantem Capital Fund 1, which was a recallable distribution, as well as resulting from the strong operational performance of companies within the CHAMP IV portfolios.

# OVERVIEW OF NEW INVESTMENTS

## CARPET COURT – BOLT ON ACQUISITION – ALLEGRO FUND II

During May 2018, Allegro Fund II portfolio company, Carpet Court NZ, completed the bolt on acquisition of Curtain Studio, a leading retailer of window furnishings in New Zealand.

Curtain Studio has nine stores across New Zealand and when combined with the Carpet Court and The Floor Store existing network of 61 stores, provides an excellent growth opportunity for Carpet Court to further expand into the interior furnishings market by offering new products and store formats in selected locations across New Zealand. The combination of Carpet Court and Curtain Studio produces New Zealand's market leading platform for residential and commercial flooring and window furnishings.

The requirements of consumers and commercial customers' flooring and window furnishings often overlap, and the combination of these two businesses creates an excellent opportunity to market complementary offers and to deliver a superior customer experience.

## SERVIAN - ADAMANTEM CAPITAL FUND 1



During June 2018, Adamantem Capital Fund 1 invested in specialised data and analytics consulting firm, Servian Group ("Servian").

Founded in 2007 by current CEO Tony Nicol, Servian is a specialised, Australian-based data and analytics consultancy. Servian provides advisory, consulting, and managed services to predominantly Tier 1 clients in the financial services, telecommunications and retail sectors.

Servian's core service offering includes:

- Implementation and customisation of complex data management and analytical tools, often in cloud environments;
- Development of advanced, bespoke analytics solutions for improved decision making, business process automation, and customer experience; and
- Development of user-friendly digital interfaces for employees and customers, usually delivered alongside a newly implemented analytical tool or application.

With more than 250 employees across Australia and India, and deep management capability, Servian is well positioned for both organic and inorganic growth.





## MINE SITE TECHNOLOGIES - ODYSSEY FUND 8

During June 2018, Odyssey Private Equity Fund 8 completed the acquisition of Mine Site Technologies (MST), a leading provider of unified communication products.

MST provides fit for purpose hardware combined with smart software solutions to support productivity and safety processes in underground mines and tunnels, as well as surface mining. MST has been developing, manufacturing, deploying and supporting mine and tunnel communication systems over 27 years.

Data and communication networks in general business and society are the essential backbone to support systems that deliver business value. MST's digital platforms are specifically engineered for the underground environment to enable and support a large range of productivity and safety systems at any mining operation, as well as tunneling projects.

With over 600 technology deployments worldwide, MST's underground digital networks and IoT platforms are embedded in many mines' production and safety processes. The systems enable voice and data communications, tracking and tagging of personnel and vehicles, emergency evacuation warning, and proximity detection systems/collision avoidance. This core data is then further analysed and reported on to better manage time and attendance, asset utilisation, production measurement, emergency mustering, remote blasting and geotechnical and environmental monitoring.

In addition, MST subsidiary Nixon Communications provides specialist surface radio and networking services throughout Australia.

# PORTFOLIO STRUCTURE

## VPEG2's Portfolio Structure - 30 June 2018

The tables and charts below provide information on the breakdown of VPEG2's investments as at 30 June 2018.

### CURRENT INVESTMENT PORTFOLIO ALLOCATION

The tables to the right 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.

VPEG2A			
Cash	Fixed Interest	Private Equity	
3.4%	9.9%	Later Expansion	23.5%
		Buyout	63.2%

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.

VPEG2B			
Cash	Fixed Interest	Private Equity	
2.7%	27.2%	Later Expansion	19.5%
		Buyout	50.6%

### PRIVATE EQUITY PORTFOLIO

With commitments to eight Private Equity funds, VPEG2 had ultimately invested in 37 underlying companies, including one co-investment, with two exits completed, at quarter end. As a result, VPEG2's Private Equity portfolio and commitments, as at 30 June 2018, 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
				VPEG2A	VPEG2B	VPEG2A	VPEG2B		
Next Capital Fund III	\$265m	2014	Small to Mid Market Expansion / Buyout	\$6.0m	\$2.0m	\$3.80m	\$1.26m	6	1
Allegro Fund II	\$180m	2014	Small to Mid Market Expansion / Buyout	\$4.0m	\$2.0m	\$3.00m	\$1.50m	8	1
Mercury Capital Fund 2	\$300m	2015	Small to Mid Market Expansion / Buyout	\$3.8m	\$1.2m	\$2.09m	\$0.66m	4	0
CHAMP IV	\$735m	2016	Mid Market Buyout	\$6.0m	\$2.0m	\$3.42m	\$1.14m	6	0
Waterman Fund 3	NZ\$200m	2016	Small to Mid Market Expansion / Buyout	NZ\$3.0m	NZ\$1.0m	\$1.42m	\$0.45m	3	0
Pencarrow Bridge Fund	NZ\$80m	2016	Small to Mid Market Expansion / Buyout	NZ\$1.5m	NZ\$0.5m	\$1.07m	\$0.35m	4	0
Adamantem Capital Fund 1	\$600m*	2017	Mid Market Expansion / Buyout	\$7.6m	\$2.4m	\$1.43m	\$0.45m	3	0
Odyssey Fund 8	\$275m	2017	Mid Market Expansion / Buyout	\$6.0m	\$2.0m	\$1.69m	\$0.56m	2	0
Co-Invest 1 (Fitzpatrick's Financial Group)	\$200m	2017	Mid Market Expansion	\$0.4m	\$0.1m	\$0.40m	\$0.13m	1	0
<b>Total **</b>				<b>\$38.0m</b>	<b>\$13.1m</b>	<b>\$18.32m</b>	<b>\$6.50m</b>	<b>37</b>	<b>2</b>

\*\* Assumes an average AUD / NZ exchange rate 1.07 for VPEG2's investment commitments to Waterman Fund 3 & the Pencarrow Bridge Fund.



# PRIVATE EQUITY PORTFOLIO

## Summary of VPEG2's Underlying Private Equity Portfolio investments

The table below provides an overview of the top 10 underlying private equity investments within VPEG2's portfolio, for which funds had been drawn or called from VPEG2 (on a pro rata basis across both trusts A & B), as at 30 June 2018.

Rank	Investment	Fund	Description	% of VPEG2's Private Equity Investments	Cumulative %
1	Funlab	Next Capital III	Developer & Operator of Entertainment & Leisure Venues	8.4%	8.4%
2	Pepperstone	CHAMP IV	Futures Trading Investment Platform	6.8%	15.3%
3	Carpet Court NZ	Allegro Fund II	Carpet Retailer	5.4%	20.7%
4	Lynch Group	Next Capital III	Flower & Potted Plant Operator	5.4%	26.1%
5	Forest Coach Lines	Next Capital III	Urban Bus Fleet Owner & Operator	4.5%	30.6%
6	Mining Technologies Holding Pty Ltd	Odyssey 8	Leading Global Provider Of Data & Voice Communications	3.9%	34.6%
7	Adventure Holdings Australia Pty Ltd	Odyssey 8	Leading Outdoor Equipment Brand	3.9%	38.5%
8	My Food Bag	Waterman Fund 3	Home Food Delivery Provider	3.9%	42.4%
9	Nexus Day Hospitals	Mercury Capital 2	Day Hospital Owner & Operator	3.5%	45.9%
10	Heritage Lifecare Ltd	Adamantem 1	New-Zealand Age-Care & Retirement Village Operator	3.4%	49.2%

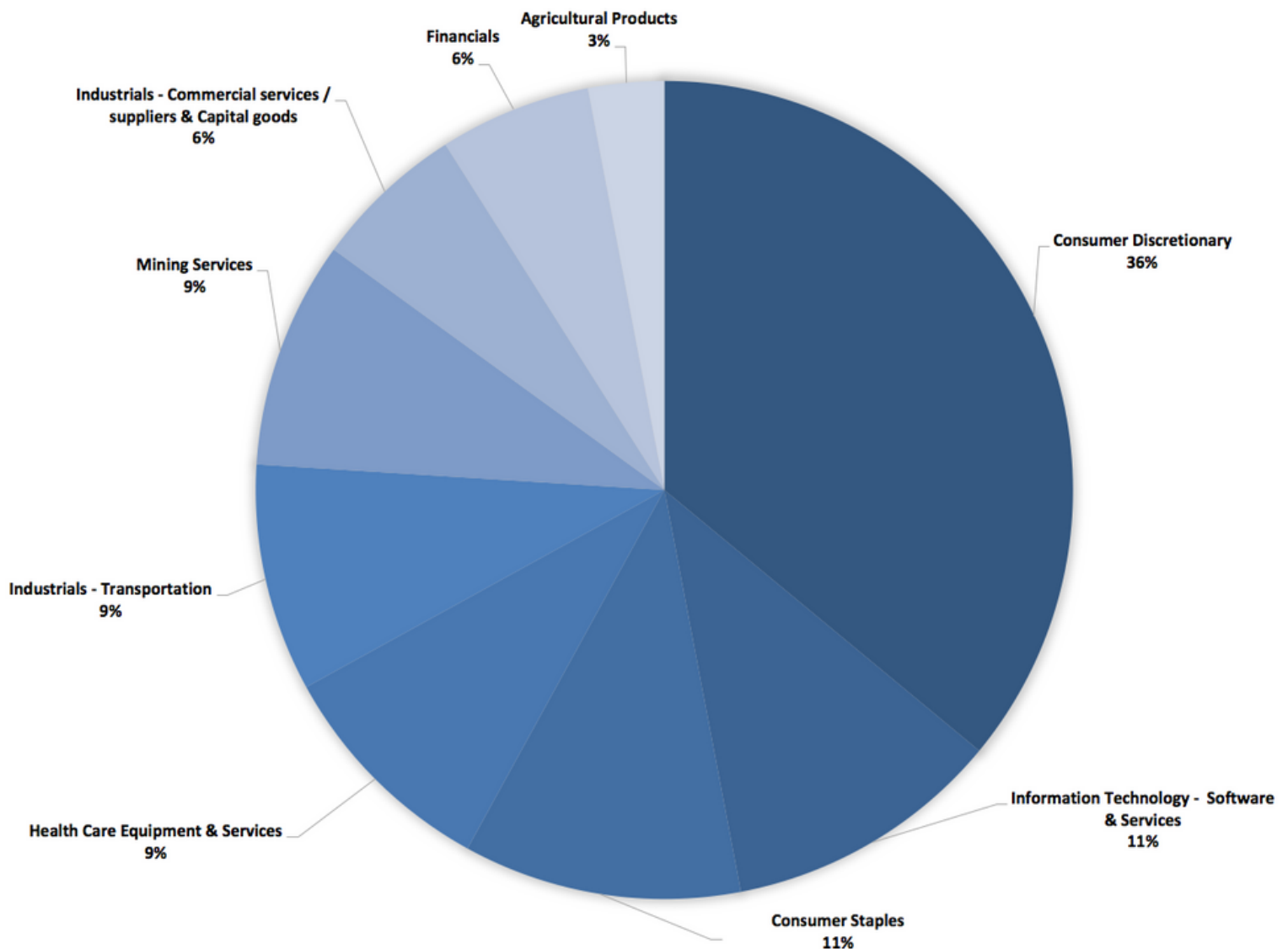
## INDUSTRY SPREAD OF VPEG2'S UNDERLYING INVESTMENTS

The completion of the investment in Mine Site Technologies by investee Odyssey Private Equity Fund 8 during the quarter, increased VPEG3's exposure to the "Mining Services" sector from 5% to 9%.

As a result, all other industry sector exposures reduced, in overall percentage terms, to accommodate the Mine Site Technologies completed during the quarter.

Finally, the investment into Servian by VPEG3 investee Adamantem Capital Fund 1, completed during the June 2018 quarter was subsequently called from VPEG3 during July 2018 for its share of this investment. Following payment of that capital, VPEG3's exposure to the "Information Technology - Software & Services" industry sector will increase and be included within the sector exposure pie chart, in the September 2018 quarterly investor report.

The "Consumer Discretionary" sector is currently VPEG2's largest industry sector exposure, representing 36% of the total Private Equity portfolio as at 30 June 2018



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