

# VANTAGE PRIVATE EQUITY GROWTH 2

—  
VPEG2A & VPEG2B  
QUARTERLY REPORT  
31 MARCH 2019

# TABLE OF CONTENTS

- 2 SUMMARY
- 3 PERFORMANCE
- 4 KEY PORTFOLIO DEVELOPMENTS
- 5 OVERVIEW OF NEW INVESTMENT
- 6 OVERVIEW OF ANNOUNCED EXIT
- 7 PORTFOLIO STRUCTURE
- 8 PRIVATE EQUITY PORTFOLIO

## 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.

## SPECIAL POINTS OF INTEREST

ADAMANTEM CAPITAL FUND 1 ACQUIRES HELLERS, NEW ZEALAND'S LEADING PRODUCER OF PROCESSED MEATS

CHAMP IV ANNOUNCES THE SALE OF CONTAINERCHAIN TO ASX LISTED, GLOBAL LOGISTICS SOLUTIONS GROUP, WISETECH GLOBAL

VPEG2'S UNDERLYING FUNDS HAVE NOW COMPLETED 45 COMPANY INVESTMENTS, OPERATING ACROSS A BROAD RANGE OF INDUSTRY SECTORS, WITH 5 EXITS COMPLETED TO DATE

# 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 has made \$51.1m\* of commitments across eight Private Equity funds and completed one co-investment. As a result, VPEG2 has invested in 45 underlying company investments, with five exits completed to date. As at 31 March 2019, 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 Fitzpatrick Financial Group.

\* Assumes an average AUD / NZ exchange rate 1.1 for VPEG2's investment commitments to Waterman Fund 3 & the Pencarrow Bridge Fund.

# PERFORMANCE

The period 1 January 2019 to 31 March 2019 saw continued activity in VPEG2's portfolio of Private Equity investments.

During the period, one new investment was completed and added to VPEG2's Private Equity portfolio.

In addition, one exit was announced, with a binding agreement signed for the complete sale of an underlying portfolio company to an ASX listed company.

During the March 2019 quarter, two capital calls were made on VPEG2 by underlying funds, with the majority of these calls required to fund the costs associated with the operations of underlying funds, including management fees and due diligence expenses incurred in reviewing and completing new investments.

VPEG2 also received distributions from one underlying fund during the quarter in the form of dividends and interest received from underlying Private Equity investments within that fund's portfolio. Unitholders in VPEG2A and VPEG2B will receive their share of the non-recallable components of these distributions following the end of the 30 June 2019 financial year.

The table to the right provides a summary of the performance of VPEG2A's portfolio during the March 2019 quarter. As demonstrated, VPEG2A's Net Asset Value (NAV) increased slightly across the quarter from \$1.060 per partly paid unit at 31 December 2018 to \$1.063 per partly paid unit at 31 March 2019.

The increase in NAV across the quarter, resulted from an increase in the net holding value across the portfolio of underlying companies at 31 March 2019. Paid Capital remained unchanged across the quarter at \$0.925 per partly paid unit.

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

As demonstrated, VPEG2B's NAV decreased slightly across the March 2019 quarter due to the costs associated with the operations of underlying funds slightly exceeding the net increase in the holding value of the portfolio of underlying companies across the quarter.

Month Ending	VPEG2A Paid Capital / Partly Paid Unit (\$)	VPEG2A NAV / Partly Paid Unit (\$)
31-Mar-19	0.925	1.063
28-Feb-19	0.925	1.071
31-Jan-19	0.925	1.068
31-Dec-18	0.925	1.060

Month Ending	VPEG2B NAV / Fully Paid Unit (\$)
31-Mar-19	1.190
28-Feb-19	1.204
31-Jan-19	1.203
31-Dec-18	1.195

# KEY PORTFOLIO DEVELOPMENTS

During the March 2019 quarter, continued activity across VPEG2's underlying Private Equity portfolio resulted in one new underlying company investment added to the portfolio with the announcement of a binding contract for the sale of another company from the underlying portfolio.

Draw-downs during the quarter from VPEG2, totaling \$100,333 were paid to Allegro Fund II (Allegro II) and Odyssey Private Equity Fund 8 (Odyssey 8).

The majority of these draw-downs were used to fund working capital requirements and management fees of these underlying funds.

During February 2019, Adamantem Capital Fund 1 completed an investment into Hellers, New Zealand's leading producer of processed meats.

Also, during February 2019, CHAMP IV announced the complete sale of portfolio company Containerchain to ASX listed, global logistics solutions group, WiseTech Global.

During the quarter, VPEG2 received distributions totaling \$74,953 from underlying fund, Waterman Fund 3 in the form of dividends and interest resulting from an improvement in earnings and cash holdings across their portfolio of investments.

With eight investments completed by Allegro II and CHAMP IV, seven by Next III, six by Mercury 2, five by Adamantem Capital Fund 1, four by each of Pencarrow Bridge Fund and Waterman 3, two by Odyssey Private Equity Fund 8 and one co-investment, the total number of underlying Private Equity company investments completed and announced within VPEG2's portfolio as at 31 March 2019 was 45. In Addition, five company investments have now been exited from the underlying portfolio.

# OVERVIEW OF NEW INVESTMENT

## HELLERS – ADAMANTEM CAPITAL FUND 1



On 4 February 2019, Adamantem Capital completed an investment into Hellers, New Zealand's leading producer of processed meats.

Established in 1985 by Todd Heller, Hellers has grown from a single butchery to become New Zealand's largest producer of processed meats including sausages, bacon, ham, salami and other small goods. Hellers also produces other value added products including frankfurters, salami, burger patties, meatballs, poultry and cold cuts. In July 2018, Hellers acquired Moira Mac's Poultry and Fine Foods Pty Ltd, an Australian manufacturer of chilled ready to eat poultry products based in Bendigo Victoria.

Adamantem sees top line growth opportunities in Australia and New Zealand by investing in new product developments and distribution channels to further grow market share. The strategic outlook for the company is to make the well-known brand more widely available through non-grocery channels particularly in food service and quick service restaurants.

# OVERVIEW OF ANNOUNCED EXIT

## CONTAINERCHAIN - CHAMP IV

**CONTAINERCHAIN**

During February 2019, CHAMP IV announced that a binding Sale and Purchase Agreement for a 100% of Containerchain was signed with ASX listed, global logistics solutions group, WiseTech Global. This sale provides for the full exit of Containerchain from CHAMP IV with the sale completed on 1 April 2019. WiseTech announced that the purchase cost was approximately \$92m paid in cash, net of cash acquired, funded through existing WiseTech group resources.

Containerchain is a business to business, web-based technology software provider for the container logistics sector. Containerchain's technological solutions are tailored to the intricacies of the Landside, Dockside and Waterside needs of all participants in the industry including freight forwarders, importers, exporters, transport operators, empty container depots and shipping lines.

Containerchain was founded in 2007 after founder, Tony Paldano identified a need to improve container depot operations after noting a growing dysfunction in the Melbourne empty container industry. In March 2010, at a forum of leading industry bodies, it was unanimously agreed that there was an urgent need for technology to share information between transport operators and empty depots.

Containerchain's software was subsequently installed at every Australian empty container depot with expanded operations to Singapore and Malaysia, where it is utilised at the Penang Port, the international gateway for the Northern region of Malaysia.

Since CHAMP IV's investment in Containerchain in September 2016 the company has successfully launched new operations in multiple geographies leading to several new depot contracts, including 15 in Europe and 27 in the US. In addition, CHAMP's investment across key corporate infrastructure to further assist rapid business expansion was recognised as particularly valuable by WiseTech during their assessment of Containerchain.

VPEG2 received its share of the sale proceeds, including callable capital, that can be called back by CHAMP IV for new and follow on investments, during April 2019

# PORTFOLIO STRUCTURE

## VPEG2's Portfolio Structure – 31 March 2019

The tables and charts below provide information on the breakdown of VPEG2's investments as at 31 March 2019.

### 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	
0.1%	5.4%	Later Expansion	29.2%
		Buyout	65.3%

VPEG2B			
Cash	Fixed Interest	Private Equity	
0.1%	10.3%	Later Expansion	28.4%
		Buyout	61.2%

### PRIVATE EQUITY PORTFOLIO

With commitments to eight Private Equity funds, VPEG2 had ultimately invested in 45 underlying companies, including one co-investment and five exits completed, at quarter end. As a result, VPEG2's Private Equity portfolio and commitments, as at 31 March 2019, 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	\$4.41m	\$1.47m	7	2
Allegro Fund II	\$180m	2014	Small to Mid Market Expansion / Buyout	\$4.0m	\$2.0m	\$3.42m	\$1.71m	8	1
Mercury Capital Fund 2	\$300m	2015	Small to Mid Market Expansion / Buyout	\$3.8m	\$1.2m	\$3.23m	\$1.02m	6	0
CHAMP IV	\$735m	2016	Mid Market Buyout	\$6.0m	\$2.0m	\$4.57m	\$1.52m	8	2
Waterman Fund 3	NZ\$200m	2016	Small to Mid Market Expansion / Buyout	NZ\$3.0m	NZ\$1.0m	\$2.08m	\$0.66m	4	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	\$591m	2017	Mid Market Expansion / Buyout	\$7.6m	\$2.4m	\$3.29m	\$1.04m	5	0
Odyssey Fund 8	\$275m	2017	Mid Market Expansion / Buyout	\$6.0m	\$2.0m	\$2.01m	\$0.67m	2	0
Co-Invest 1 (Fitzpatrick's Financial Group)	\$200m	2017	Mid Market Expansion	\$0.4m	\$0.1m	\$0.41m	\$0.13m	1	0
Total *				\$38.0m	\$13.1m	\$24.49m	\$8.57m	45	5

\* Assumes an average AUD / NZ exchange rate 1.1 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 31 March 2019. The table also includes the residual holdings of previously exited portfolio company Pepperstone Group.

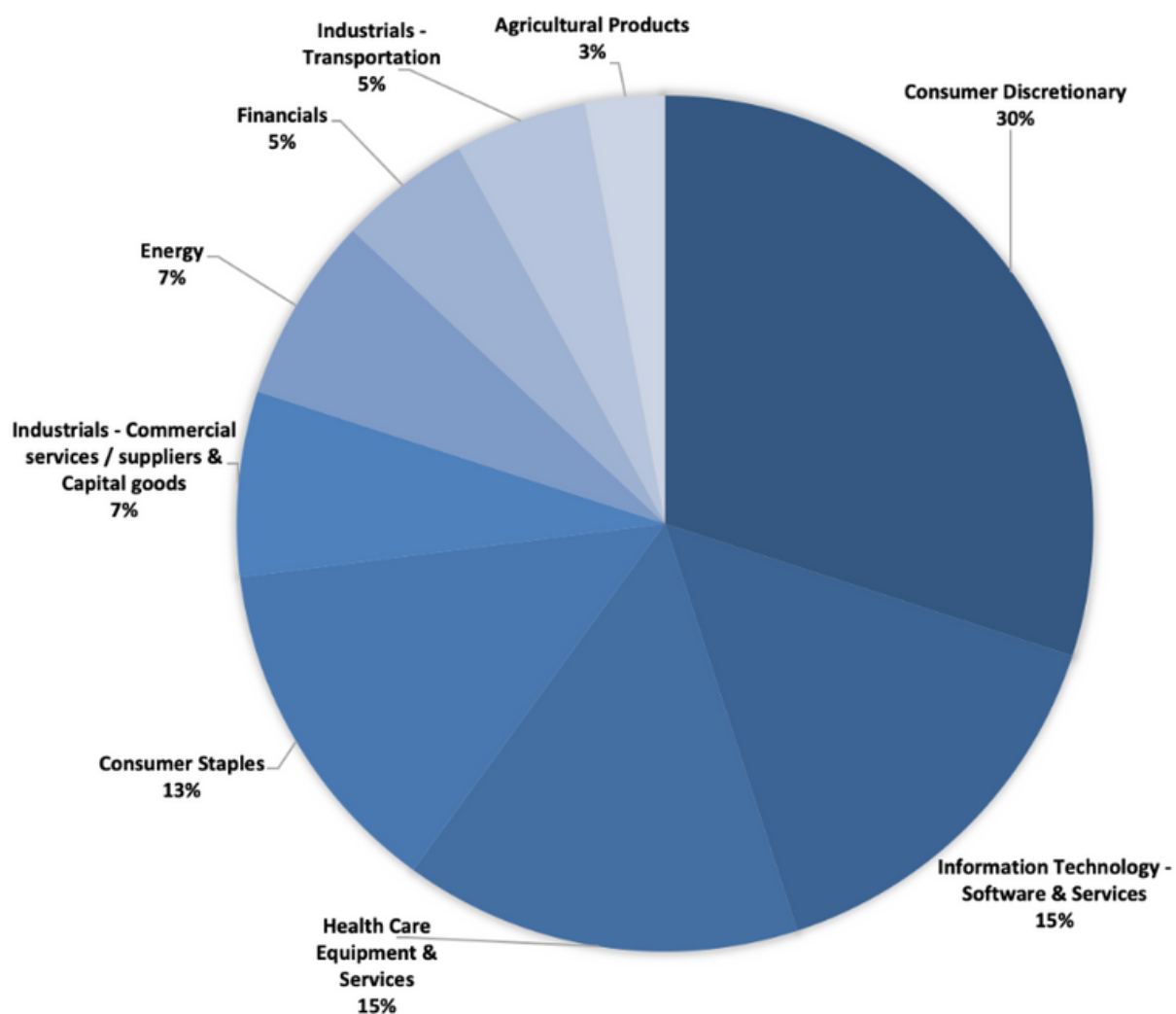
Rank	Investment	Fund	Description	% of VPEG2's Private Equity Investments	Cumulative %
1	Funlab	Next Capital III	Developer & Operator of Entertainment & Leisure Venues	8.3%	8.3%
2	Pepperstone	CHAMP IV	Futures Trading Investment Platform	5.9%	14.2%
3	Carpet Court NZ	Allegro Fund II	Carpet Retailer	4.2%	18.4%
4	Nexus Day Hospitals	Mercury Capital 2	Day Hospital Owner & Operator	3.9%	22.4%
5	Lynch Group	Next Capital III	Flower & Potted Plant Operator	3.9%	26.3%
6	Jaybro Group	CHAMP IV	Infrastructure Project - Supplier Of Consumables	3.4%	29.7%
7	Adventure Holdings Australia Pty Ltd	Odyssey 8	Leading Outdoor Equipment Brand	3.2%	32.9%
8	Noisette Bakery	Next Capital III	Artisanal Commercial Bakery	3.1%	36.0%
9	Dutton Group	CHAMP IV	Wholesaler of New & Used Prestigious Vehicles	3.1%	39.1%
10	Strait Shipping Ltd	CHAMP IV	New Zealand Logistics Group	3.0%	42.1%

## INDUSTRY SPREAD OF VPEG2'S UNDERLYING INVESTMENTS

The acquisition of Hellars by Adamantam Capital Fund 1 during the quarter, increased VPEG2's exposure to the "Consumer Staples" sector from 11% to 13%.

As a result, other industry sector exposures reduced slightly, in overall percentage terms, to accommodate this investment.

The "Consumer Discretionary" sector remains VPEG2's largest industry sector exposure, representing 30% of the total Private Equity portfolio as at 31 March 2019.





## CONTACT DETAILS

### VANTAGE PRIVATE EQUITY GROWTH 2 (TRUSTS A & B)

Level 25, Aurora Place  
88 Phillip street  
Sydney NSW, 2000  
Australia

Email: [investor@vantageasset.com](mailto:investor@vantageasset.com)  
Website: [www.vpeg2.info](http://www.vpeg2.info)

---

### VANTAGE ASSET MANAGEMENT PTY LIMITED

Managing Director - Michael Tobin  
Phone: +612 8211 0477  
Fax: +612 8211 0555  
Email: [info@vantageasset.com](mailto:info@vantageasset.com)  
Website: [www.vantageasset.com](http://www.vantageasset.com)