

# VANTAGE PRIVATE EQUITY GROWTH 2

—  
VPEG2A & VPEG2B  
QUARTERLY REPORT  
30 SEPTEMBER 2019

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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.

## SPECIAL POINTS OF INTEREST

**ADAMANTEM CAPITAL FUND 1 COMPLETES THE PUBLIC TO PRIVATE ACQUISITION OF LEGEND CORPORATION LIMITED, AN AUSTRALIAN DISTRIBUTOR OF TOOLS, COMPONENTS AND ACCESSORIES INTO THE ELECTRICAL WHOLESALE AND INDUSTRIAL / COMMERCIAL GAS MARKETS.**

**NEXT CAPITAL FUND III ACQUIRES NZ BUS, NEW ZEALAND'S LARGEST URBAN BUS OPERATOR WITH OVER 700 BUSES OPERATING OUT OF 13 DEPOTS ACROSS AUCKLAND, WELLINGTON AND TAURANGA.**

**CHAMP IV ACQUIRES THE BANKSMEADOW WASTE TRANSFER STATION IN SYDNEY, FROM ASX LISTED, BINGO INDUSTRIES LIMITED.**

**VPEG2'S PORTFOLIO EXPANDS TO 52 COMPLETED INVESTMENTS, OPERATING ACROSS A BROAD RANGE OF INDUSTRY SECTORS WITH 6 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 lower 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 52 underlying company investments, with six exits completed to date. As at 30 September 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

*"FOUR NEW UNDERLYING PRIVATE EQUITY INVESTMENTS WERE COMPLETED DURING THE QUARTER, BRINGING THE TOTAL OF UNDERLYING COMPANY INVESTMENTS, COMPLETED TO DATE IN VPEG2'S UNDERLYING PORTFOLIO, TO 52."*

The period 1 July 2019 to 30 September 2019 saw an extensive amount of activity across VPEG2's portfolio of Private Equity investments.

During the period, four new Private Equity investments were completed, with a number of follow-on investments also completed across VPEG2's underlying Private Equity.

During the September 2019 quarter, seven capital calls were made to VPEG2 by underlying Private Equity funds, with the majority of these calls required to fund the acquisitions of new underlying company investments and further follow-on investments. Additional calls were also 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.

The table to the right provides a summary of the performance of VPEG2A's portfolio during the September 2019 quarter. As demonstrated, VPEG2A's Net Asset Value (NAV) per partly paid unit increased by 1.7% across the quarter from \$1.141 at 30 June 2019 to \$1.160 at 30 September 2019. The increase in NAV across the quarter, resulted partly from an additional \$0.015 call, paid by all investors during September 2019, as well as from an increase in the holding value of underlying investments across the portfolio at quarter end.

As a result, the Paid Capital of VPEG2A Unit Holders as at 30 September 2019, was fully paid to \$1.00 per partly paid unit.

Month Ending	VPEG2A Paid Capital / Partly Paid Unit (\$)	VPEG2A NAV / Partly Paid Unit (\$)
30-Sep-19	1.000	1.160
31-Aug-19	0.985	1.129
31-Jul-19	0.985	1.135
30-Jun-19	0.985	1.141

The second table to the right provides a summary of the performance of VPEG2B's NAV per unit during the September 2019 quarter.

As demonstrated, VPEG2B's NAV per unit increased slightly across the quarter from \$1.201 to \$1.205 as at 30 September 2019 resulting predominately from an increase in the holding value of underlying investments across the period.

Month Ending	VPEG2B NAV / Fully Paid Unit (\$)
30-Sep-19	1.205
31-Aug-19	1.191
31-Jul-19	1.198
30-Jun-19	1.201

# KEY PORTFOLIO DEVELOPMENTS

During the September 2019 quarter, continued activity across VPEG2's underlying Private Equity portfolio resulted in the addition of four new underlying company investments to the portfolio with a number of follow-on acquisitions completed at quarter end.

Drawdowns during the quarter from VPEG2, totaling \$2,742,709 were paid to Allegro Fund II (Allegro II), Adamantem Capital Fund 1 (Adamantem 1), Mercury Capital Fund 2, Next Capital Fund III (Next III), Odyssey Private Equity Fund 8 (Odyssey 8) and Waterman Capital Fund 3.

The majority of these draw downs were used to fund new and/or follow on investments completed during the quarter across the portfolio. Additionally, further draw downs were made for working capital requirements and management fees of these underlying funds.

During July 2019, Odyssey Fund 8 completed the investment into Australian leading and award-winning women's supportive footwear business FRANKi4 as announced in the VPEG2 Quarterly Report June 2019.

In August 2019, Adamantem Capital Fund 1 completed the public to private acquisition of Legend Corporation Limited, a previously ASX-listed distributor of products, tools, components and accessories into the electrical wholesale and industrial / commercial gas markets.

Also, during August 2019, Next Capital Fund III came to the agreement with NZ Listed, Infratil Limited, to acquire New Zealand Bus Finance Company Limited, New Zealand Bus Limited and Swift Transport No. 1 Limited (collectively, "NZ Bus"), New Zealand's largest bus operator.

In September 2019, CHAMP IV acquired 100% of the Banksmeadow Waste Transfer Station, from ASX listed Bingo Industries Limited.

During the quarter, VPEG2 received distributions totaling \$469,477 from underlying funds, CHAMP IV and Waterman Fund 3. The distribution from CHAMP IV resulted from further proceeds from the previously exited portfolio company Pepperstone Group. The Waterman Fund 3 distribution was a non cash distribution offset by a capital call issued by Waterman for management fees and working capital expenses of that fund.

With ten investments completed by CHAMP IV, eight by each of Allegro II and Next III, six by Adamantem Capital Fund 1 and Mercury 2, five by Odyssey Private Equity Fund 8, four by each of Pencarrow Bridge Fund and Waterman 3, and one co-investment, the total number of underlying Private Equity company investments completed in VPEG2's portfolio as at 30 September 2019 was 52. In Addition, 6 company investments had been exited (sold) from the underlying portfolio at quarter end.

# OVERVIEW OF NEW INVESTMENTS



## FRANKi4 – ODYSSEY PRIVATE EQUITY FUND 8

During July 2019, Odyssey Fund 8 completed the acquisition of FRANKiE4, a leading and award-winning women's supportive footwear label, alongside the company's founder shareholders.

Founded in 2011 by podiatrists and a physiotherapist, FRANKiE4's unique designs and patented support technologies enhance customers' foot, lower limb and overall health. FRANKiE4 combines a knowledge of biomechanics with a sense of style, to deliver great footwear that women feel comfortable in and love to wear.

FRANKiE4 markets across all of its national distribution channels including online, pop-up and concept stores, and an expanding network of retail and allied health stockists across Australia and New Zealand.

## LEGEND CORPORATION LIMITED - ADAMANTEM CAPITAL FUND 1



On 8 August 2019, Adamantem Capital Fund 1 announced that they had acquired all issued shares in Legend Corporation Ltd, a leading engineering solutions provider for the Electrical, Power & Infrastructure and Gas & Plumbing industries.

Legend was an ASX-listed distributor of products, tools, components and accessories into the electrical wholesale and industrial / commercial gas markets. Legend stocks an extensive range of product lines and is a preferred supplier across all major electrical wholesalers in Australia. Legend's products are employed across a diversified range of end markets, including electrical, power, rail, mining and telecommunications. In business since 1962, Legend now employs over 300 people across Australia in multiple warehouses, manufacturing facilities, testing laboratories and offices.

Legend is a preferred supplier to major electrical wholesalers in Australia and New Zealand and a brand of choice for electrical contractors, power utility and datacoms installers. Legend is renowned for best in class customer service and exceptional on-time delivery of more than 30,000 SKUs.

### NZ BUS – NEXT CAPITAL FUND III



On 15 August 2019, Next Capital Fund III announced that it had come to terms with NZ Listed, Infratil Limited, to acquire New Zealand Bus Finance Company Limited, New Zealand Bus Limited and Swift Transport No. 1 Limited (collectively, “NZ Bus”).

NZ Bus is the largest urban bus operator in New Zealand, with a modern fleet of over 700 buses operating across 13 depots. NZ Bus provides services in key urban centres Auckland, Wellington and Tauranga, with the majority of revenue generated from the Auckland region. NZ Bus’ main revenue streams generally come from stable, long-term contracts were local councils grant NZ Bus exclusive operational rights over particular routes.

NZ Bus’ commenced in 1992, when Stagecoach purchased Wellington City Transport and then proceeded to make a number of subsequent acquisitions. Infratil acquired the New Zealand public transport interests of Stagecoach in 2005 and rebranded them to NZ Bus.

### BANKSMEADOW RECYCLING – CHAMP IV



On 24 September 2019, CHAMP IV announced they had signed an agreement to acquire a 100% interest in the Banksmeadow Waste Transfer Station, from ASX listed Bingo Industries Limited.

Located 7km from Sydney’s CBD, the Banksmeadow Recycling site has been in operation for more than 20 years and is the premier location to tip dry waste originating from the CBD, eastern-suburbs, inner-west, lower-north, southern suburbs and surrounds.

The Banksmeadow facility accepts waste from demolition and building companies, major and Government projects, waste collection companies and the general public. The Banksmeadow facility is on an 8200 square metre site near Port Botany and in 2018 processed 200,000 tonnes of waste.

Earlier this year, Bingo Industries received approval from the Australian Competition and Consumer Commission for the acquisition of the Dial-A-Dump business after agreeing to sell its Banksmeadow processing facility in Sydney to allay concerns by the regulator about competition in the collection of building and demolition waste.

# PORTFOLIO STRUCTURE

## VPEG2'S PORTFOLIO STRUCTURE – 30 SEPTEMBER 2019

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

VPEG2A			
Cash	Fixed Interest	Private Equity	
0.1%	1.0%	Later Expansion	27.8%
		Buyout	71.1%

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	
0.2%	1.5%	Later Expansion	28.4%
		Buyout	69.9%

# PRIVATE EQUITY PORTFOLIO

With commitments to eight Private Equity funds, VPEG2 has ultimately invested in 52 underlying companies, including one co-investment with six exits completed, at quarter end. As a result, VPEG2's Private Equity portfolio and commitments, as at 30 September 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	\$5.18m	\$1.72m	8	2
Allegro Fund II	\$180m	2014	Small to Mid Market Expansion / Buyout	\$4.0m	\$2.0m	\$3.57m	\$1.78m	8	2
Mercury Capital Fund 2	\$300m	2015	Small to Mid Market Expansion / Buyout	\$3.8m	\$1.2m	\$3.46m	\$1.09m	6	0
CHAMP IV	\$735m	2016	Mid Market Buyout	\$6.0m	\$2.0m	\$4.82m	\$1.61m	10	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	\$1.16m	\$0.38m	4	0
Adamantem Capital Fund 1	\$591m	2017	Mid Market Expansion / Buyout	\$7.6m	\$2.4m	\$5.38m	\$1.70m	6	0
Odyssey Fund 8	\$275m	2017	Mid Market Expansion / Buyout	\$6.0m	\$2.0m	\$3.24m	\$1.08m	5	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	\$29.30m	\$10.15m	52	6

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

## 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 September 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	8.5%	8.5%
2	Pepperstone	CHAMP IV	Futures Trading Investment Platform	4.5%	13.0%
3	Hygain Holdings Pty Ltd	Adamantem 1	Premium Horse Feed Manufacturer & Distributor	4.2%	17.1%
4	Nexus Day Hospitals	Mercury Capital 2	Day Hospital Owner & Operator	3.5%	20.6%
5	Lynch Group	Next Capital III	Flower & Potted Plant Operator	3.4%	24.0%
6	Heritage Lifecare Ltd	Adamantem 1	New-Zealand Age-Care & Retirement Village Operator	3.3%	27.3%
7	Carpet Court NZ	Allegro Fund II	Carpet Retailer	3.3%	30.6%
8	Noisette Bakery	Next Capital III	Artisanal Commercial Bakery	2.9%	33.5%
9	Hellers	Adamantem 1	Producer of processed meats in New Zealand	2.8%	36.3%
10	Strait Shipping Ltd	CHAMP IV	New Zealand Logistics Group	2.7%	38.9%

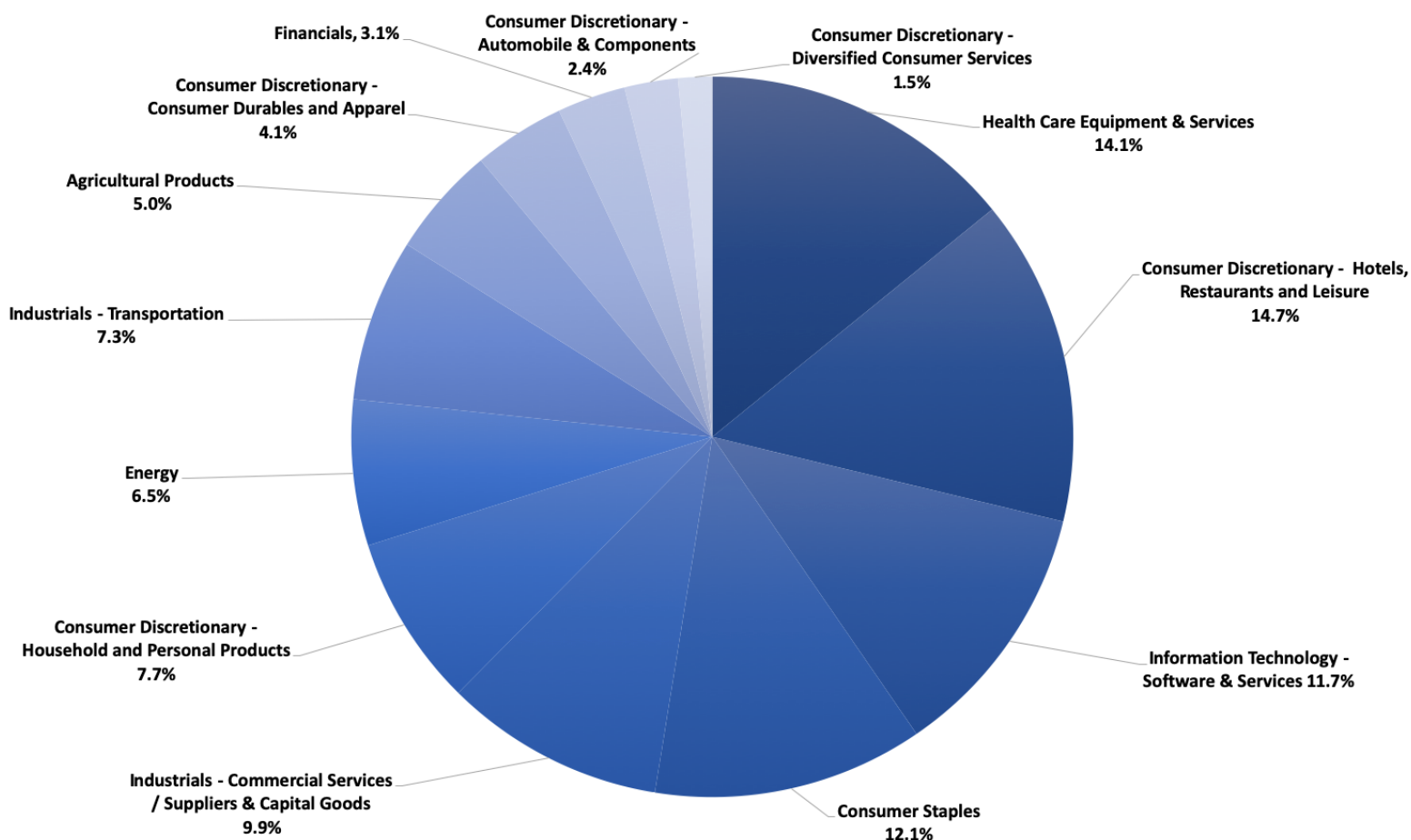
## INDUSTRY SPREAD OF VPEG2'S UNDERLYING INVESTMENTS

The acquisition of FRANKi4 by Odyssey Private Equity Fund 8 during the quarter, increased VPEG2's exposure to the "Consumer Discretionary - Consumer Durables and Apparel " industry sector from 2% to 4%.

The investments into Banksmeadow Waste Transfer Station by CHAMP IV and Legend Corporation Limited by Adamantem Capital Fund 1 increased VPEG2's exposure to the "Industrials - Commercial Services / Suppliers & Capital Goods" industry sector from 7% to 10%.

As a result of these new acquisitions, all other industry sector exposures reduced slightly, in overall percentage terms.

The "Health Care Equipment & Services" industry sector which is comprised of underlying investees Infinite Aged Care, Nexus, Nirvana & Heritage Lifecare, Zenitas, Cell Care and TRG Imaging became VPEG2's largest industry sector exposure, representing 14.1% of the overall underlying portfolio sector allocation as at 30 September 2019.



## VPEG2 BRIDGE LOAN FACILITY

During September 2019, Vantage Asset Management Pty Limited as Trustee of both VPEG2A and VPEG2B (the Funds) arranged a financing facility for the Funds with an independent Private Third-Party Lender. The facility will be used to bridge investee fund calls needed to be made by the Funds. The Trustee believes the facility will benefit the Funds by allowing flexibility throughout each Funds' lifecycle enabling the Funds to continue draw downs under the bridging facility as the Funds mature. Additionally, the facility will provide funding at short turnaround times, ultimately reducing administration for the Funds' investors.

The Financing is subject to a Loan Agreement dated 19 September 2019 entered into between, among others, the Lender and the Funds. The Financing is secured in favour of the Lender under a General Security Deed dated 19 September 2019 granted by, among others, the Funds over certain assets of the Funds, including cash accounts, the right to receive any future receivables and the right to receive a fixed charge over all assets of the Funds.

## VPEG4 COMPLETES FIRST CLOSE & REMAINS OPEN FOR INVESTMENT

Vantage Private Equity Growth 4 (VPEG4) recently completed its first close with more than 30 investors committing approximately \$20m, enabling VPEG4 to commence its investment program. VPEG4 also remains open for investment for new investors and will conduct monthly closes until its target fund size of \$100m is reached.

VPEG4 is an Australian Private Equity Fund of Funds established to provide investors with access to the superior returns consistently delivered by the top performing Later Expansion and Buyout Private Equity Funds in Australia. VPEG4 will continue with the same successful investment strategy implemented by Vantage's previous funds, which at 30 September 2019 had investments across 23 Australian Private Equity Funds, who in turn had invested in 122 companies across a broad range of industry sectors and had exited (sold) 51 of these investments generating a gross 2.5x multiple of invested capital. VPEG4 is targeting to deliver a net return after fees of 20% p.a. to investors over a four to six-year investment timeframe.

If you would like to learn more about VPEG4 please contact your wealth manager or financial adviser. Alternatively if you would like to receive a call or request a meeting with a Vantage executive to discuss VPEG4 please call +61 2 8211 0477 or email [info@vantageasset.com](mailto:info@vantageasset.com) or visit [www.vpeg4.info](http://www.vpeg4.info) for more information.

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