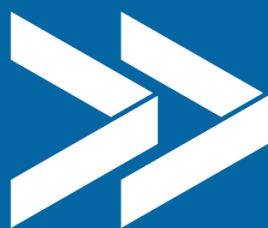


VPEG2

DIVERSIFY
GROW
OUTPERFORM



Vantage Private Equity Growth 2
Quarterly Report
30 June 2020

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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 2. 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. This report 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

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 has invested 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 \$51.1m¹ of commitments across eight Private Equity funds and completed one co-investment. As a result, VPEG2 has invested in 53 underlying company investments, with eight exits completed to date. As at 30 June 2020, 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.

¹ Assumes an average AUD / NZ exchange rate 1.1 for VPEG2's investment commitments to Waterman Fund 3 and the Pencarrow Bridge Fund.

SPECIAL POINTS OF INTEREST

A significant majority of companies in VPEG2's underlying portfolio, representing 70% of total Net Asset Value (NAV), increased in value across the quarter

41 portfolio companies representing 83.9% of the total NAV of VPEG2's Portfolio have reported that there will be no impact or low impact to their financial performance as a result of the Victorian Government's recently imposed COVID-19 restrictions on that State

VPEG2A's Net Asset Value improves by 4.5% across the quarter due to an increase in the value of 29 underlying companies at quarter end due to earnings improvements

PERFORMANCE

The period 1 April 2020 to 30 June 2020 saw continued activity across VPEG2's portfolio as underlying managers continued to focus on navigating the evolving impacts, challenges and potential opportunities arising from the COVID-19 crisis.

Capital calls were made on VPEG2 by three underlying funds across the quarter, with a majority of the called capital required to fund the follow on investment undertaken by one underlying portfolio company. Additional capital was also called for costs associated with the operations of underlying funds, including management fees and due diligence costs.

The table to the left provides a summary of the performance of VPEG2A's portfolio across the June 2020 quarter. As demonstrated, VPEG2A's Net Asset Value (NAV) per unit increased by 4.5% across the quarter from \$1.184 at 31 March 2020 to \$1.237 at 30 June 2020. The increase in NAV resulted predominately from the increase in unrealised value of twenty nine underlying companies in VPEG2A's portfolio.

Also as detailed in the table, VPEG2B's NAV per unit increased by 3.8% across the quarter from \$1.169 to \$1.214. The increase in NAV was also due to the increase in the unrealised value of twenty nine underlying companies in VPEG2B's portfolio.

The uplift in unrealised values across VPEG2's portfolio during the quarter were as a consequence of an increase in consumer spending as a result of the gradual easing of COVID-19 related restrictions.

As at 30 June 2020, all VPEG2A and VPEG2B Investors had Paid Capital to each trust equating to \$1.00 per unit or equivalent to 100% of their Committed Capital to each of VPEG2A and VPEG2B.

Month Ending	VPEG2A NAV / Unit (\$)	VPEG2B NAV / Unit (\$)
30-Jun-20	1.237	1.214
31-May-20	1.171	1.153
30-Apr-20	1.179	1.163
31-Mar-20	1.184	1.169

During the quarter, VPEG2's underlying managers conducted detailed scenario analysis on each underlying portfolio company to identify the potential impacts the current economic environment could have on those companies as well as to identify opportunities for growth over the next 12 months.

In addition VPEG2's Private Equity fund managers' continue to engage in active communications with the management of each underlying portfolio company to ensure that they continue to remain sufficiently resourced and well positioned to ride out the current economic downturn. As the economic implications of the virus are continually being assessed, VPEG2's underlying managers' report that each underlying company is well placed to overcome the challenges of COVID-19. As a result, VPEG2's underlying managers' do not expect any reductions in unrealised values below their pre COVID-19 values to be permanent but rather reflect the current temporary deterioration in trading conditions resulting from the COVID-19 related restrictions in each economy.

KEY PORTFOLIO DEVELOPMENTS

During the June 2020 quarter, one follow-on investment into an existing underlying company was completed.

A total of \$1,042,933 was called from VPEG2 during the quarter, by Adamantem Capital Fund 1, Odyssey Fund 8 and Pencarrow Bridge Fund. The majority of the capital called was to fund the follow-on investment into an existing portfolio company with the remaining capital called to fund the costs associated with the operations of underlying funds during the period.

During April 2020, Pencarrow Bridge Fund completed a follow-on investment in The Collective, a leading manufacturer and distributor of gourmet yoghurt with operations in New Zealand, the United Kingdom and Australia. The additional investment was to fund key growth initiatives including investment in manufacturing equipment for new plant-based products and marketing investments to build the brand in its chosen markets.

During the quarter, VPEG2 received distributions totaling \$783,381 from underlying funds CHAMP IV and Waterman Fund 3. The distribution from CHAMP IV resulted from the receipt of further proceeds from previously exited portfolio company Pepperstone Group and from strong operating performance by Panthera Finance across FY20. The Waterman Fund 3 distribution was due to the improved financial performance of a number of companies within the Waterman portfolio across their financial year ended 31 March 2020.

With ten investments completed by CHAMP IV, eight by each of Allegro Fund II and Next Capital Fund III, seven by Mercury Capital Fund 2, six by Adamantem Capital Fund 1, 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 June 2020 was 53, with eight exits completed to date.

Arguably the current economic contraction has signified the beginning of a new cycle in financial markets and the end of a prolonged period of asset inflation and increasing acquisition multiples. VPEG2's underlying managers' report that purchase multiples are starting to follow a similar downward trajectory, to that seen following the 2000 dot-com crash and the Global Financial Crisis of 2008 to 2010.

As a result, there is likely to be an increase in attractive investment opportunities, with lower than historical acquisition multiples for VPEG2's underlying funds to consider bolt on investments for existing portfolio companies, throughout the second half of the calendar year 2020 and into 2021. This re-rating of asset prices and Private Equity's ability to consistently outperform during and following recessionary periods, will ultimately deliver VPEG2 Fund investors with superior risk adjusted returns over the term of the Fund.

PORTFOLIO STRUCTURE

VPEG2's PORTFOLIO STRUCTURE - 30 JUNE 2020

The tables and charts below provide information on the breakdown of VPEG2's investments as at 30 June 2020.

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	Short Term Deposits	Private Equity	
0.1%	2.5%	Later Expansion	27.2%
		Buyout	70.2%

VPEG2B			
Cash	Short Term Deposits	Private Equity	
0.1%	0.5%	Later Expansion	28.9%
		Buyout	70.5%

PRIVATE EQUITY PORTFOLIO

With commitments to eight Private Equity funds, VPEG2 has ultimately invested in 53 underlying companies, including one co-investment with eight exits completed, at quarter end. As a result, VPEG2's Private Equity portfolio and commitments, as at 30 June 2020, were as follows:

Private Equity Fund Name	Fund / Deal Size	Vintage Year	Investment Focus	VPEG2 Commitment		Capital Drawn		Total No. of Investee Companies	No. of Exits
				VPEG2A	VPEG2B	VPEG2A	VPEG2B		
Next Capital Fund III	\$265m	2014	Lower to Mid Market Expansion / Buyout	\$6.0m	\$2.0m	\$5.18m	\$1.72m	8	2
Allegro Fund II	\$180m	2014	Lower to Mid Market Expansion / Buyout	\$4.0m	\$2.0m	\$3.69m	\$1.84m	8	3
Mercury Capital Fund 2	\$300m	2015	Lower to Mid Market Expansion / Buyout	\$3.8m	\$1.2m	\$3.46m	\$1.09m	7	1
CHAMP IV	\$735m	2016	Mid Market Buyout	\$6.0m	\$2.0m	\$5.41m	\$1.80m	10	2
Waterman Capital Fund 3	NZ\$200m	2016	Lower to Mid Market Expansion / Buyout	NZ\$3.0m	NZ\$1.0m	\$2.20m	\$0.70m	4	-
Pencarrow Bridge Fund	NZ\$80m	2016	Lower to Mid Market Expansion / Buyout	NZ\$1.5m	NZ\$0.5m	\$1.26m	\$0.41m	4	-
Adamantem Capital Fund 1	\$591m	2017	Mid Market Expansion / Buyout	\$7.6m	\$2.4m	\$5.97m	\$1.89m	6	-
Odyssey Fund 8	\$275m	2017	Mid Market Expansion / Buyout	\$6.0m	\$2.0m	\$3.33m	\$1.11m	5	-
Co-invest (Fitzpatrick Financial Group)	\$200m	2017	Mid Market Expansion	\$0.4m	\$0.1m	\$0.41m	\$0.13m	1	-
Total²				\$38.0m	\$13.1m	\$30.92m	\$10.70m	53	8

² Assumes an average AUD/NZD exchange rate of 1.1 for VPEG2's investment commitments and draw down to Waterman Fund 3 and the Pencarrow Bridge Fund.

SUMMARY OF VPEG2's UNDERLYING PRIVATE EQUITY INVESTMENTS

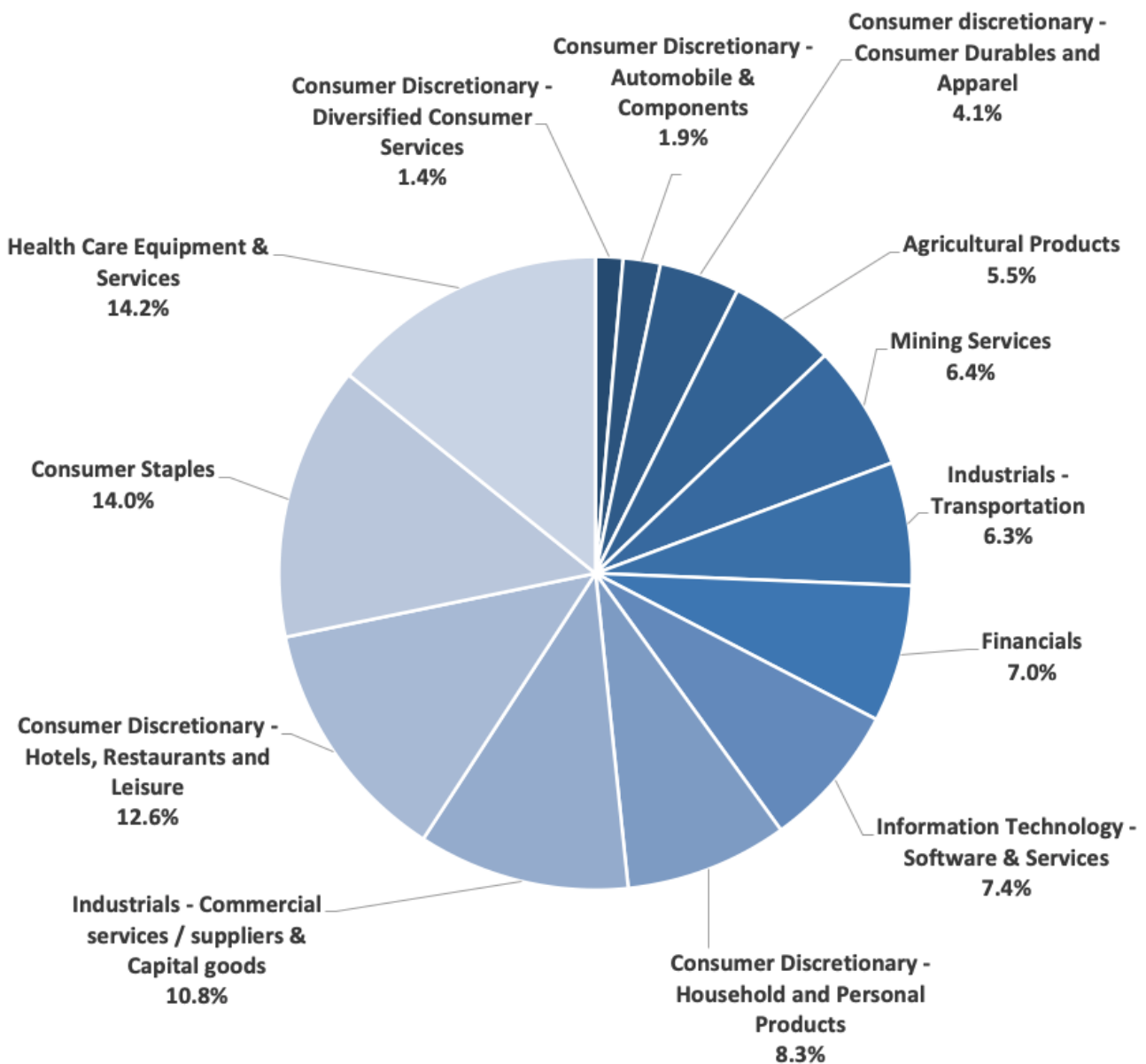
The table below provides an overview of the top 10 underlying private equity investments within VPEG2's portfolio, for which funds had been drawn or called from VPEG2 (on a pro rata basis across both trusts A & B), as at 30 June 2020 .

Rank	Investment	Fund	Description	% of VPEG2's Private Equity Investments	Cumulative %
1	Funlab	Next Capital III	Developer & Operator of Entertainment & Leisure Venues	7.4%	7.4%
2	Heritage Lifecare Limited	Adamantem Capital Fund 1	New Zealand aged care & retirement village operator	5.2%	12.5%
3	Hellers	Adamantem Capital Fund 1	Producer of processed meats in New Zealand	4.8%	17.3%
4	Lynch Group	Next Capital III	Flower & Potted Plant Operator	4.7%	22.0%
5	Hygain Holdings Pty Ltd	Adamantem Capital Fund 1	Premium Horse Feed Manufacturer & Distributor	4.3%	26.3%
6	Message Media	Mercury Capital Fund 2	Business to Person messaging	3.4%	29.7%
7	Jaybro Group	CHAMP IV	Infrastructure Project - Supplier of Consumables	3.1%	32.8%
8	Mining Technologies Holding Pty Ltd	Odyssey 8	Leading Global Provider of Data & Voice Communications to the Mining Industry	2.8%	35.6%
9	Zenitas Healthcare	Adamantem Capital Fund 1	Community Based Healthcare Provider	2.7%	38.4%
10	Carpet Court NZ	Allegro Fund II	Carpet Retailer in New Zealand	2.7%	41.1%

INDUSTRY SPREAD OF VPEG2's UNDERLYING INVESTMENTS

Due to an increase in the unrealised value of a number of companies in the “Financials” sector across the quarter, VPEG2’s exposure to the “Financials” industry sector increased from 5.4% to 7.0%.

As a result of this and other underlying company revaluations across the quarter, VPEG2’s exposure to a range of other industry sectors also altered slightly. VPEG2’s exposure to the “Health care – Equipment and Services” industry sector which consists of Cell Care, Heritage Lifecare, Tamaki Healthcare, TRG Imaging and Zenitas Healthcare, represented VPEG2’s largest industry exposure at 14.2% of VPEG2’s total Private Equity portfolio, at quarter end.



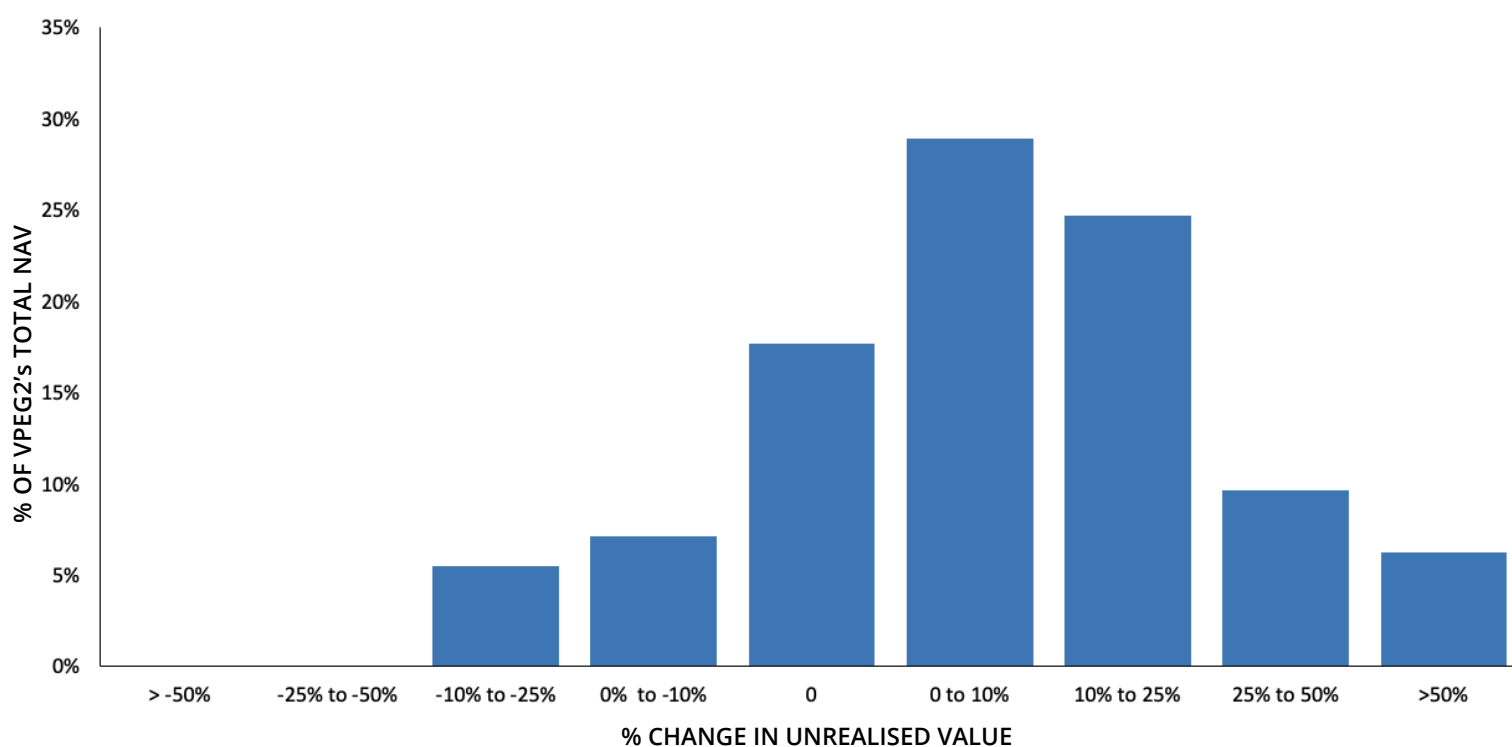
VPEG2 UNDERLYING PORTFOLIO VALUATION UPDATE

The gradual easing of COVID-19 restrictions across Australia and New Zealand during the quarter, combined with the payment of cash to a large proportion of the population, resulting from the various government stimulus packages, lifted consumer sentiment across the quarter. This improved consumer sentiment flowed through to an increase in discretionary spending by consumers towards quarter end. As a result, the trading performance of a number of underlying companies in VPEG2's portfolio benefited from this increase in spending which delivered improved revenue and earnings for these companies compared with the previous period.

Due to this improvement in the financial performance of a number of portfolio companies and the requirement for Private Equity managers to fairly value investments in their portfolios at each quarter-end, all of VPEG2's underlying fund managers conducted a review of the valuations of all unrealised investments as at 30 June 2020, in accordance with the valuation guidelines issued by the International Private Equity Valuation Board. This resulted in an uplift in the value of a majority of the underlying companies within VPEG2's portfolio.

The graph below details the range of change in the unrealised value of VPEG2's underlying portfolio from 31 March 2020 to 30 June 2020 represented as a percentage of VPEG2's total Net Asset Value at 30 June 2020.

% CHANGE IN UNREALISED VALUE FROM 31 MARCH 2020 TO 30 JUNE 2020



As demonstrated in the chart above, a majority of companies in VPEG2's underlying portfolio, representing 70% of total Net Asset Value (NAV), increased in value across the quarter, while the value of underlying companies representing 18% of VPEG2's NAV remained constant across the period. Significantly, only a minority of underlying companies representing 12% of VPEG2's NAV reduced in value across the quarter. Notably a portion of this value reduction was due to the NZD currency depreciation against the AUD across the quarter resulting in a slight decrease in the value of 4.3% of VPEG2's NAV exposed to NZD investments.

During the period many of VPEG2's underlying companies continued to adapt to the evolving operating environment as a result of the pandemic to deliver products and services, that assist customers in various ways. Ultimately, these initiatives have helped to protect and/or increase the value of a significant majority of the underlying companies within VPEG2's portfolio.

VPEG2 COVID-19 PORTFOLIO UPDATE

While most States across Australia have managed to either suppress or eliminate the spread of the coronavirus in recent months, the emergence of the second wave of the virus in Victoria during July and August has seen stage 3 and 4 restrictions being introduced across that State. These new restrictions, which will be in place until at least September 2020, will cause a significant slowdown of the Victorian economy as well as drastically impact the operations and financial performance of many non-essential businesses operating in Victoria.

As the Victorian economy represents approximately 25% of Australia's GDP, any halt to economic activity in that State will also impact the recovery of the broader Australian economy. As such, Vantage regards it as necessary at this time to assess the degree to which the situation in Victoria will impact the operations and performance VPEG2's underlying portfolio.

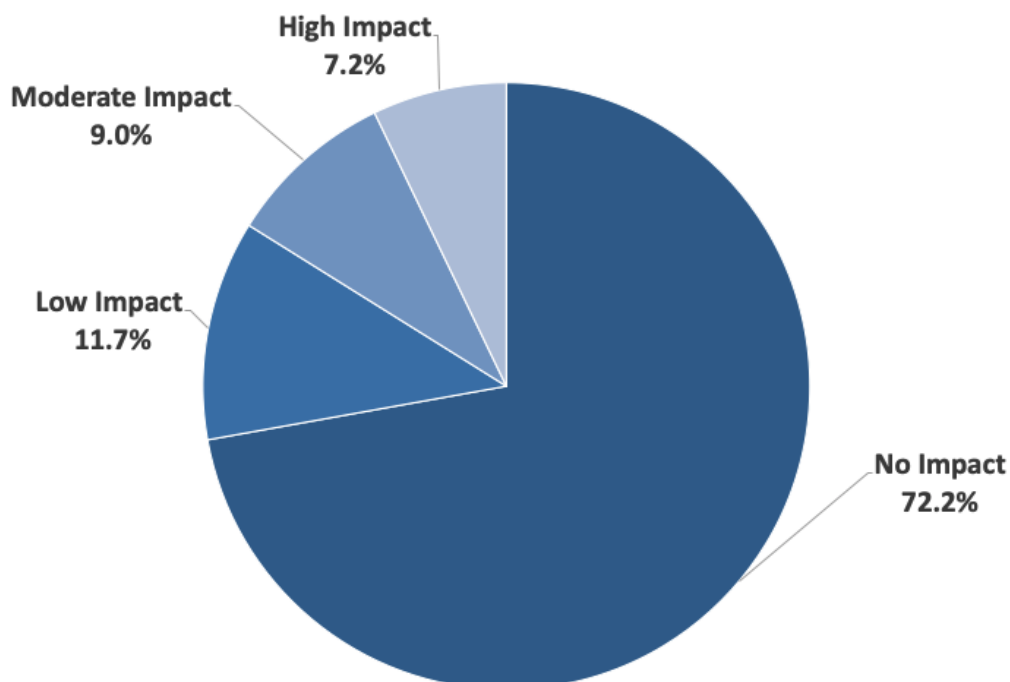
As reported last quarter, VPEG2's underlying portfolio is strongly diversified across a broad range of industry sectors, with the majority of VPEG2's underlying company investments occupying non-cyclical, defensive or growth industry sectors. In addition, VPEG2's portfolio is also highly diversified geographically, with underlying companies operating in numerous locations across most states and regions of Australia and New Zealand.

Due to the high level of diversification of VPEG2's underlying portfolio, the effect of Victoria's recently imposed restrictions on the operations of each portfolio company has varied. However, recent analysis conducted by Vantage reveals that a significant majority of underlying companies across VPEG2's portfolio will likely experience no or a low impact to their financial performance as a result of Victoria's move to Stage 3 / 4 restrictions.

Summary points to note across the VPEG2 portfolio include;

- A total of 48 underlying company investments currently exist within VPEG2’s portfolio for which funds have been called from VPEG2, of which two of these companies have been sold with a small portion of VPEG2’s unrealised capital remaining within these investments
- 41 portfolio companies representing 83.9% of the total consolidated Net Asset Value (NAV) of VPEG2’s Portfolio have reported that there will be no impact (72.2% of NAV) or possibly only a low impact (i.e. less than 20% reduction in revenue compared to pre COVID) to their financial performance as a result of the Victorian Government’s recently imposed COVID-19 restrictions on that State,
- three portfolio companies representing 9.0% of VPEG2’s NAV reported the possibility of only a moderate impact (i.e. less than 50% reduction in revenue compared to pre COVID levels) to their financial performance as a result of the Victorian restrictions,
- four portfolio company representing only 7.2% of NAV are likely to experience a High impact (more than 50% reduction in revenue) to their operations and financial performance as a result of the Victorian restrictions.

IMPACT TO REVENUE ACROSS VPEG2’s UNDERLYING PORTFOLIO RESULTING FROM VICTORIAN GOVERNMENTS IMPOSED STAGE 3 / 4 RESTRICTIONS



Note; Split as a % of VPEG2’s NAV at 30 June 2020

In summary, the high level of diversification across VPEG2's underlying investments significantly reduces the impact of the current government imposed COVID restrictions in Victoria, thus likely to only marginally impact the overall performance of VPEG2's portfolio value. In addition, given the strong oversight of VPEG2's underlying fund managers and the ability for each underlying company to rapidly adapt their strategies to meet the challenges presented by the virus, Vantage is confident that VPEG2's portfolio will continue to grow and ultimately deliver superior risk adjusted returns to investors over the term of the Fund.

MARKET AND ECONOMIC CONDITIONS

Disruptions caused by the COVID-19 pandemic have continued to impact both global and domestic demand in Australia and New Zealand during the June 2020 quarter. As a result of a largely successful suppression of the virus (despite the recent outbreak in Melbourne) and significant Government stimulus, Australian equity markets strongly rebounded, reversing most of the losses experienced toward the end of the March 2020 quarter. The Australian economy experienced a significant downturn throughout April as restrictions were strictly enforced. However, as governments began to gradually ease restrictions over May and June, economic activity began to subsequently increase. These movements in economic activity were represented by the Performance of Manufacturing Index (PMI), which crashed in April 2020 to 35.8, down from 53.7 in March, before rebounding to 51.5 at the 30 June 2020 quarter end, due to an overall improvement in demand. The services segment of the PMI however continued its decline throughout the period, dropping from 38.7 in March 2020 to 31.5 in June 2020 – despite the economy beginning to open up from the COVID-19 restrictions. Business sentiment bounced back from its -65 low at the end of March, through to the latest May 2020 reading, which remains negative at -20. Similarly, consumer confidence fell sharply from 91.9 in March 2020 to 75.6 in the following month, before rebounding to 88.1 in May 2020.

Real GDP in Australia is forecast to have experienced its sharpest fall on record during the June quarter. Activity is expected to pick up in the September quarter and beyond, with the continued easing of restrictions in most parts of the country. Real GDP is forecast to fall by 0.25% in 2019-20 fiscal year and by 2.5% in 2020-21 fiscal year. In calendar-year terms, real GDP is forecast to fall by 3.75% in 2020, before increasing by 2.5% per cent in 2021.

A confident sentiment however is viewed among economists as it is expected that both Australian and New Zealand economies are forecast to recover much sooner than in past recessions due to the gradual easing of restrictions in both countries, though it is expected that it will be a long road back to full recovery with the unemployment rate remaining elevated for some time. Both the Federal Government and the Reserve Bank of Australia have remained highly accommodative in their response to the coronavirus pandemic with fiscal and monetary packages being appropriately allocated.

AUSTRALIA / NEW ZEALAND ECONOMIC RESPONSE

In Australia, the Federal Government revised the size of its economic support package to \$289bn, representing 14.6% of annual GDP. Australia's JobKeeper scheme has paid out over \$30 billion to 3.5 million workers from more than 960,000 businesses. The government has decided to extend multiple support packages beyond September, including:

- A tapered extension of the income support measures, including an additional \$20.4bn in reduced payments for JobKeeper (until March 2021) and JobSeeker (until December 2020).
- Additionally, further support packages include \$525 million to infrastructure projects in VIC and NSW, a \$680 million Home Builder grant and an additional \$2 billion JobTrainer skills program.

While Australia's net debt is expected to increase with the expanded support, the country's robust finances prior to the current downturn means that net debt is expected to climb to 35.7% of GDP in June 2021. Treasury estimates a \$85.8 billion deficit in 2019-20 and a \$184.5 billion deficit in 2020-21, which includes the \$16.6 billion JobKeeper extension.

New Zealand's decision to ease most, if not all, restrictions early on during the quarter, has materially improved its country's economic position. In May 2020, the New Zealand government announced that it would borrow an additional NZ\$50 billion in the June 2021 fiscal year to be mitigate impact of the COVID-19 pandemic. The government's response to the 8 week extension of its wage subsidy scheme is now up to NZ\$14 billion and is being set aside in the event of the country experiencing a second wave outbreak. As a result of the economic support, New Zealand posted a rise in net debt to 25.1% of GDP at the end of May 2020.

In comparison to other world economies, the consensus among professional economists, is that Australia and New Zealand will emerge from the current crisis better than most economies. For instance, the IMF forecasts the Australian economy to contract by 4.5% before rebounding by approximately 4% in 2021. This represents is a 2.2-point improvement on its April outlook and makes Australia second only to South Korea in terms of economic resilience. According to S&P, New Zealand is expected to contract by 5% in 2020 before rebounding by 6% in 2021.

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