



QUARTERLY REPORT

VANTAGE PRIVATE EQUITY GROWTH 2

QUARTERLY INVESTOR REPORT
31 DECEMBER 2021

VPEG2 DIVERSIFY
GROW
OUTPERFORM



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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 55 underlying company investments, with 18 exits completed to date. As at 31 December 2021, 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

VPEG2 distributes \$0.28 Per Unit to all VPEG2 investors during December 2021

Waterman Capital Fund 3 Completes the 100% sale of Provincial Education Group, the third largest early childcare education provider in New Zealand

CPE Capital 8 announces the binding sale agreements of two portfolio companies Jaybro & StraitNZ, with completion anticipated during the March 2022 quarter

Allegro Fund II announces the sale of the funds remaining shareholding in Journey Beyond to American cruise and experiential travel company Hornblower for a media reported \$600 million.

As at 31 December 2021, VPEG2A and VPEG2B generated a net of fees internal rate of return (IRR) of 22.3% p.a. and 15.2% p.a. respectively, since final close of VPEG2 on 28 May 2015

PERFORMANCE

The period 1 October 2021 to 31 December 2021 saw elevated levels of Private Equity activity across VPEG2's portfolio as one investment exit was completed during the quarter as well as the additional announcement of a further three investment exits at quarter end. These four exits were announced or completed by VPEG2 investee's Waterman Capital Fund 3, CPE Capital 9 and Allegro Fund II. As a result of the completed exit during the quarter, VPEG2's total portfolio exits increased to 18 at period end.

Across the quarter, VPEG2's underlying managers continued to work alongside management teams as they progress along with their investment agendas to deliver growth in the value of each portfolio company and prepare each company for a future sale.

VPEG2's managers report that the Australian and New Zealand lower to mid market segment of Private Equity continues to represent an attractive investment proposition for foreign and domestic acquirers, due to the continuation of comparatively stable economies and strong return profiles. VPEG2's portfolio is well positioned to capitalise on the increasing appetite of these acquirers as managers enter into the final stages of negotiating the sale of a number of portfolio company investments.

The table below provides a summary of the performance of VPEG2's portfolio as at 31 December 2021. VPEG2A's Net Asset Value (NAV) decreased from \$1.491 Per Unit at 30 September 2021 to \$1.392 per Unit at 31 December 2021 due to the \$0.28 Per Unit distribution paid to all VPEG2A investors during December 2021.

VPEG2B's NAV also decreased across the quarter from \$1.567 Per Unit at 30 September 2021 to \$1.475 Per Unit at 31 December 2021, due to the \$0.28 Per Unit distribution paid to all VPEG2B investors during December 2021.

This distribution paid to all VPEG2 Unitholders represented the realised proceeds of four previously announced underlying company exits from VPEG2's portfolio including, National Products Express, Hexagon Holdings and MessageMedia by Mercury Capital Fund 2, The Interiors Group (formally Carpet Count NZ) by Allegro Fund II and Provincial Education Group by Waterman Capital Fund 3, which was completed during the December 2021 quarter.

However, taking into account this \$0.28 Per Unit distribution paid to all VPEG2A & VPEG2B Unit holders during the quarter, the total value increase of VPEG2A's and VPEG2B's portfolio across the December 2021 quarter was 12.1% and 12.0% respectively, attributable from the increase in unrealised values of a number VPEG2's portfolio companies across the December 2021 quarter.

VPEG2 SUMMARY PERFORMANCE AT 31 DECEMBER 2021

VPEG2 Entity	Cash	Fixed Interest	Private Equity (Value)	Paid Capital (\$ / Unit)	NAV (\$ / Unit)	Cumulative Distributions Paid (\$ / Unit)	Total Value + Distributed	Net IRR Since Inception (p.a.)
VPEG2A	4.8%	0.4%	94.8%	1.00	1.392	0.889	2.281	22.3%
VPEG2B	5.3%	0.0%	94.7%	1.00	1.475	0.848	2.323	15.2%

As a result of the increase in value of VPEG2's underlying portfolio across the quarter, along with the strong returns achieved by the five additional companies sold from the portfolio, VPEG2's returns to Investors continues to improve as the Fund further matures.

As a result, VPEG2A and VPEG2B has generated a net of fees internal rate of return (IRR) of 22.3% p.a. and 15.2% p.a. respectively, since final close of VPEG2 on 28 May 2015 to 31 December 2021.

VPEG2's portfolio is well placed, with the value of the portfolio expected to continue to grow as underlying fund managers further maximise the value of each portfolio company prior to exit. It is anticipated that as managers enter into the final stages of negotiating the sale of a number of portfolio company investments, the number of exits from VPEG2's portfolio is anticipated to increase across the next three to six months. These exits will deliver further distributions and value to VPEG2 investors across the 2022 calendar year, ultimately delivering investors with a strong risk adjusted return over the term of the Fund.

KEY PORTFOLIO DEVELOPMENTS

The December 2021 quarter saw extensive Private Equity activity across VPEG2's portfolio as four investment exits were announced or completed during the quarter. These four exits were completed by VPEG2 investee's Waterman Capital Fund 3, CPE Capital 9 and Allegro Fund II. Following the completion of the sale of these companies, expected during the March 2022 quarter, the total number of companies sold from VPEG2's portfolio will increase to twenty-three.

During October 2021, Waterman Capital Fund 3 completed the 100% sale of Provincial Education Group to leading early childhood global education provider, Busy Bees Early Learning Australia (Busy Bees Australia). The exit generated robust returns for Waterman Capital Fund 3 investors, including VPEG2 across a 4.2 year investment hold period.

During December 2021, Allegro Fund II, along with Quadrant Private Equity signed an agreement to exit Journey Beyond to American cruise and experiential travel company Hornblower Group for a media reported \$600 million. Allegro initially acquired Journey Beyond (previously named Great Southern Rail) in May 2015. Less than 18 months after acquiring the business, Allegro exited a majority stake to Quadrant Private Equity for a strong return for Allegro at that point in time. Upon the sale being completed to Hornblower Group, expected during the March 2022 quarter, the overall return to Allegro Fund II investors, including VPEG2, will generate an exceptionally strong return across the funds investment hold period.

Additionally in December 2021, CPE Capital 8 announced the 100% sale of Jaybro to Quadrant Private Equity, a Sydney based private equity firm investing in companies in Australia and New Zealand. In addition to this announced exit, CPE Capital 8 also announced the exit of StraitNZ to Morgan Stanley Infrastructure Partners, a global private infrastructure investment manager. Upon both of these exits being completed during the March 2022, further details of these announced exits will be provided in the March 2022 quarterly investor report.

Furthermore, VPEG2 investee Adamantem Capital Fund I portfolio company Heritage Lifecare announced the sale and lease back agreement of a significant part of that company's property portfolio to Centuria Capital Group for a media reported \$NZ300 million (AUD \$280 million). The sale includes Heritage Lifecare's land and property portfolio across all aged care assets and around half of the retirement village land. The transaction will deliver Adamantem Capital Fund I investors, including VPEG2 a return of all capital invested in Heritage Lifecare, which is expected to be distributed to VPEG2 following regulatory approval during the June 2022 quarter. Adamantem's ownership will remain unchanged, with management now exploring the appropriate options to exit the investment in Heritage across the remainder of the 2022 calendar year.

During the quarter, VPEG2 received distributions totalling \$11,882,185 from underlying funds Adamantem Capital Fund I, Allegro Fund II, CPE Capital 8, Mercury Capital Fund 2 and Waterman Capital Fund 3.

The distribution from Adamantem Capital Fund I resulted from the strong earnings performance from portfolio company Hellers during the 2021 calendar year. The distribution from Allegro Fund II related to the completion of previously announced exit The Interiors Group during the September 2021 quarter. The distribution from CPE Capital 8 resulted from the further realised proceeds of previously exited portfolio companies Pepperstone Group and Cellcare.

The distribution from Mercury Capital Fund 2 was related to the completion of previously announced exited portfolio companies MessageMedia, Hexagon and National Products Express (NXP) during the September 2021 quarter. The distribution from Waterman Capital Fund 3 resulted from the completion of the sale in Provincial Education Group during the quarter.

With ten investments completed by CPE Capital 8 (formally CHAMP IV), nine by each of Allegro Fund II, eight by 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 31 December 2021 was 55, with 18 exits completed to date.

RECENTLY ANNOUNCED EXIT

JOURNEY BEYOND - ALLEGRO FUND III

During December 2021, Allegro Fund II announced that they had exited their minority stake in Journey Beyond following its sale by Quadrant Private Equity to American cruise and experiential travel company, Hornblower Group for a media reported \$600 million.



Allegro initially acquired Journey Beyond (previously named Great Southern Rail) in May 2015. Less than 18 months after acquiring the business, Allegro sold a majority stake to Quadrant Private Equity delivering a strong return for Allegro Fund II investors including VPEG2 at that point in time.

The Great Southern Rail acquisition provided Quadrant, the platform for a premium travel business which expanded to include Cruise Whitsundays, the biggest ferry and cruise operator in North Queensland and Outback Spirit, which runs luxury coach tours in hard-to-reach locations such as the Kimberley Ranges in north-west Western Australia.

Once the sale is completed during the March 2022 quarter, the overall return to Allegro Fund II investors, including VPEG2, will be enhanced, delivering a strong return across that funds' investment hold period.

RECENTLY COMPLETED EXIT

PROVINCIAL EDUCATION GROUP – WATERMAN CAPITAL FUND 3

During October 2021, VPEG2 investee Waterman Capital Fund 3 completed the 100% sale of Provincial Education Group to leading early childhood global education provider, Busy Bees Early Learning Australia (Busy Bees Australia).



Following Waterman Fund 3's acquisition of Provincial in August 2017, management completed the acquisition of 19 early learning centres across New Zealand. After the successful integration of these centres, a further two follow-on investments were made to assist with the further acquisition of centres in line with management's consolidation strategy. Management also focused on the development of best practice curriculum, including the development of a regional manager network to ensure that each centre received all necessary education support. This allowed the Provincial group to deliver the best outcomes for its pupils. These initiatives aided the business to consistently achieve exceptionally high net promoter scores from parents across the fund's investment term. With 75 centres and more than 5,500 licence places in locations across the North and South Islands, Provincial is now the third largest early childcare education provider in New Zealand.

The sale of Provincial Education Group marks a strong investment return and distribution for Waterman Capital Fund 3 investors, including VPEG2 across a 4.2 year investment period.

PORTFOLIO STRUCTURE

VPEG2's PORTFOLIO STRUCTURE - 31 DECEMBER 2021

The tables and charts below provide information on the breakdown of VPEG2's investments as at 31 December 2021.

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 Investments	Private Equity	
4.8%	0.4%	Later Expansion	24.4%
		Buyout	70.4%

VPEG2B			
Cash	Fixed Interest Investments	Private Equity	
5.3%	0.0%	Later Expansion	24.7%
		Buyout	70.0%

PRIVATE EQUITY PORTFOLIO

With commitments to eight Private Equity funds and one co-investment, VPEG2 has ultimately invested in 55 underlying companies, including one co-investment with 18 exits completed, at quarter end. As a result, VPEG2's Private Equity portfolio and commitments, as at 31 December 2021, 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	5
Allegro Fund II	\$180m	2014	Lower to Mid Market Expansion / Buyout	\$4.0m	\$2.0m	\$3.91m	\$1.95m	9	4
Mercury Capital Fund 2	\$300m	2015	Lower to Mid Market Expansion / Buyout	\$3.8m	\$1.2m	\$3.46m	\$1.09m	7	2
CPE Capital 8	\$735m	2016	Mid Market Buyout	\$6.0m	\$2.0m	\$5.61m	\$1.87m	10	4
Waterman Capital Fund 3	NZ\$200m	2016	Lower to Mid Market Expansion / Buyout	NZ\$3.0m	NZ\$1.0m	\$2.20m	\$0.70m	4	2
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 I	\$591m	2017	Mid Market Expansion / Buyout	\$7.6m	\$2.4m	\$6.01m	\$1.90m	6	1
Odyssey Fund 8	\$275m	2017	Mid Market Expansion / Buyout	\$6.0m	\$2.0m	\$4.41m	\$1.47m	6	-
Co-invest (Fitzpatrick Financial Group)	\$200m	2017	Mid Market Expansion	\$0.4m	\$0.1m	\$0.43m	\$0.14m	1	-
Total²				\$38.0m	\$13.1m	\$32.47m	\$11.26m	55	18

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 TOP 10 UNDERLYING PRIVATE EQUITY INVESTMENTS

The table below provides a summary of the top ten 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 December 2021. Due to the exit completions of portfolio investments Jaybro and StraitNZ occurring subsequent to December quarter end, they are still being represented in VPEG2's top ten underlying private equity investments as at 31 December 2021.

Rank	Investment	Fund	Description	% of VPEG2's Private Equity Investments	Cumulative %
1	StraitNZ	CPE Capital 8	Operator of freight and passenger services across New Zealand North and South Island's	6.6%	6.6%
2	Jaybro Group	CPE Capital 8	Leading supplier to the civil construction and infrastructure sector	5.7%	12.3%
3	Heritage Lifecare Ltd	Adamantem Capital I	New-Zealand Age-Care & Retirement Village Operator	5.7%	18.0%
4	Pizza Hut	Allegro Fund II	Australia's Largest pizza chain	5.1%	23.1%
5	Hellers	Adamantem Capital I	Producer of Processed Meats in New Zealand	4.7%	27.8%
6	Lynch Group	Next Capital III	Wholesaler and grower of flowers and potted plants in Australia & China.	4.4%	32.2%
7	Hygain Holdings Pty Ltd	Adamantem Capital I	Premium Horse Feed Manufacturer & Distributor	4.4%	36.6%
8	TRG Imaging	Waterman Fund 3	Medical imaging provider in New Zealand	3.9%	41.5%
9	Tamaki Health Growth	Mercury Capital Fund 2	New Zealand primary care operator	3.6%	44.1%
10	Mining Technologies Holding Pty Ltd	Odyssey Private Equity 8	Leading Global Provider of Data & Voice Communications	3.5%	47.6%

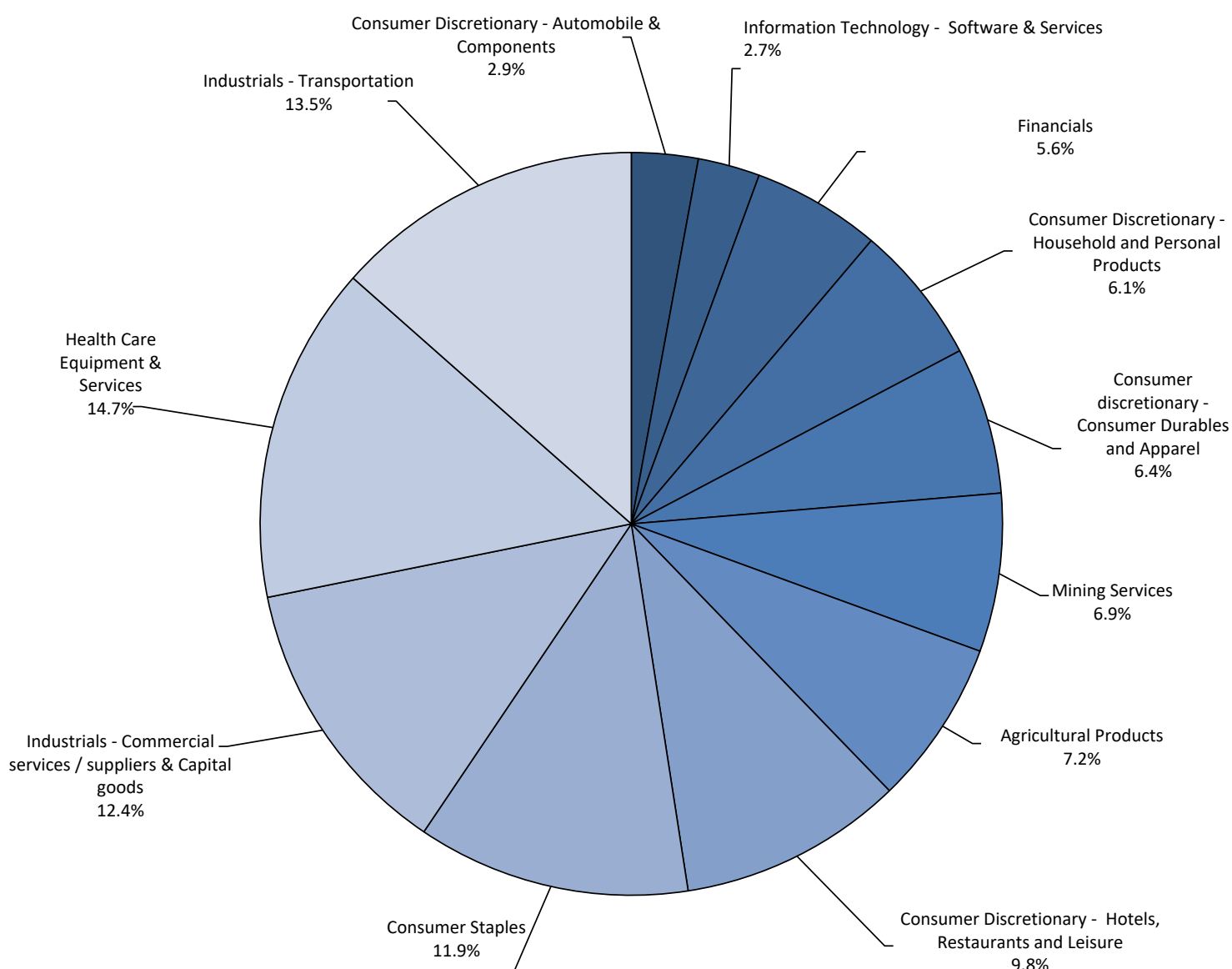
INDUSTRY SPREAD OF VPEG2's UNDERLYING INVESTMENTS

Due to the proceeds being received by the Fund during the quarter for the exit of Mercury Capital Fund 2's portfolio company MessageMedia, VPEG2's exposure to the "Information Technology – Software & Services" industry sector decreased from 5.3% to 2.3%.

In addition, as a result of the of the final proceeds being also received by the Fund during the quarter for the exit of Allegro Fund II's sale of The Interiors Group, VPEG2's exposure to the "Consumer Discretionary - Household and Personal Products" industry sector decreased from 8.9% to 6.1%.

As a result, all other VPEG2 industry sectors exposures increased/decreased proportionately across the period.

VPEG2's exposure to the "Health Care Equipment & Services" industry sector which consists of Heritage Lifecare Ltd, TRG Imaging, Tamaki Health Group and Zenitas Healthcare became VPEG2's largest industry sector exposure representing 14.7% of VPEG2's total Private Equity portfolio at quarter end.



Figure; Industry exposure of VPEG2's underlying investments as at 31 December 2021.

MARKET & ECONOMIC UPDATE

In Australia, the December quarter commenced with the reopening of New South Wales and Victoria following a stringent lockdown period instituted in response to the outbreak of the COVID-19 Delta variant. With this easing in restrictions, the economy rebounded quicker than previously anticipated, supported by the return of domestic tourism in the eastern Australian states and the surge in retail sales from the release of pent-up demand and robust pre Christmas trading.

During December, evidence of the new COVID-19 variant was detected in Australia and since then, the number of cases has continuously increased, particularly in New South Wales and Victoria. The spread of the Omicron variant has had considerable social and economic impacts domestically, including the material contraction of consumer spending.

The near-term outlook for both Australia and New Zealand looks very positive in broad terms. Both economies are growing at rates well above trend and consumer and business sentiment remains strong. Inflationary pressures are more obvious in New Zealand, while CPI growth in Australia remains comfortably within the RBA's target band. Both countries are operating essentially with full employment and job shortages are more of an ongoing issue than unemployment statistics.

Public markets continued to climb during the quarter before cooling in the last weeks of January 2022 to a 6-month low. Corporate cash balances are at elevated levels following a period of under investment and there remains a significant number of investment opportunities for private equity funds including those within VPEG4's portfolio.

Industry deal flow was strong through the quarter but tailed off significantly towards the end of the calendar year. There were 15 buyout transactions announced or completed (11 in Australia and four in New Zealand) and 17 private equity exits (14 in Australia and three in New Zealand) during the quarter. Regarding the exits, the majority were to trade buyers, with 13 announced, and four were secondary private equity transactions.

VPEG2's underlying managers are continuing to review sale options for those companies within their portfolios that have achieved their investment thesis. As a result we expect that the number of exits from VPEG2's portfolio will accelerate across 2022 and into 2023, delivering additional distributions to VPEG2 investors as each company sale is completed.

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