



QUARTERLY REPORT



VANTAGE PRIVATE EQUITY GROWTH 2

QUARTERLY INVESTOR REPORT
31 DECEMBER 2022

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 or the 'Fund') 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 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 29 exits completed to date. As at 31 December 2022, 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

Mercury Capital Fund 2 completes the sale of Fiftyfive5 to Accenture in December 2022

CPE Capital 8 completes the 100% sale of Panthera to Brookfield, one of the world's largest alternative investment management companies

Allegro Fund II announces the sale of JSW Australia, with completion expected during the March 2023 quarter.

As at 31 December 2022, VPEG2A and VPEG2B have delivered a net of fees return of 19.7% p.a. and 13.5% p.a. respectively, since the final close of VPEG2 in May 2015

PERFORMANCE

VPEG2 has consistently delivered investors strong returns, outperforming traditional asset classes as the Fund matures. In the past year alone, eight underlying company exits were successfully completed, allowing VPEG2A and VPEG2B to distribute \$0.45 per unit to all investors during the 2022 calendar year. These realised proceeds paid during CY2022, have resulted in cumulative distributions paid to all investors as at 31 December 2022 totalled \$1.339 per unit and \$1.298 per unit for VPEG2A and VPEG2B, respectively, since the Funds Final Close in May 2015. Furthermore, these distributions have resulted in a combined total value (realised and unrealised) of \$2.256 per unit to VPEG2A investors and \$2.258 per unit to VPEG2B investors, demonstrating private equity's ability to generate strong risk adjusted returns to investors.

These strong returns have contributed to VPEG2A and VPEG2B delivering net returns to investors of 19.7% p.a. and 13.5% p.a. respectively since the Final Close of the VPEG2 entities on 28 May 2015.

The table below provides a summary of the performance of VPEG2's portfolio as at 31 December 2022.

VPEG2 SUMMARY PERFORMANCE AT 31 DECEMBER 2022

	VPEG2 Entity	
	VPEG2A	VPEG2B
Cash	4.4%	4.1%
Fixed Interest	7.4%	6.5%
Private Equity (Value)	88.2%	89.4%
Paid Capital (\$ / Unit)	\$1.00	\$1.00
NAV (\$ / Unit)	\$0.917	\$0.960
Cumulative Distributions Paid (\$ / Unit)	\$1.339	\$1.298
Total Value + Distributed (\$ / Unit)	\$2.257	\$2.258
Net Return Since Inception (p.a.)	19.7%	13.5%

Across the quarter, VPEG2A's Net Asset Value (NAV) decreased 2.16% from \$0.937 per Unit at 30 September 2022 to \$0.917 per Unit as at 31 December 2022. VPEG2B's Net Asset Value (NAV) decreased 3.04% from \$0.990 per Unit at 30 September 2022 to \$0.960. The decrease in the NAV was predominately from due to the decrease in unrealised value of VPEG2's partially exited (sold) ASX-listed companies across the quarter. In particular, public market uncertainty over the period caused Next III's residual holding in the previously-exited, now ASX-listed portfolio company, Lynch Group (ASX:LGL) to fall 41.6% over the period. However, Lynch has encouragingly recovered a portion of this, increasing 22% from 1 January 2023 to date (as at 9/2/23).

PORTFOLIO DEVELOPMENTS

Across the December 2022 quarter, VPEG2 made further progress in the sell down of remaining portfolio companies, with the completed exits of two portfolio companies, and the announcement of one additional company entering into a conditional sale agreement.

During the quarter, VPEG2 received distributions totalling \$1,847,701 from:

- Odyssey Private Equity Fund 8, following the completion of the previously announced exit of portfolio company MST (July 2022) and a dividend paid by Delta Agribusiness.
- Mercury Capital Fund 2, following the sale of Fiftyfive5 in December 2022 to Accenture .
- CPE Capital 8, following the sale of Panthera Finance, as well as further distributions received from previously exited portfolio companies Jaybro and StraitNZ.
- Waterman Capital the Fund 3 following the strong operating performance of that funds remaining portfolio of company investments.

Drawdowns during the quarter from VPEG2 totalling \$316,595 were paid to CPE Capital 8, Odyssey Private Equity Fund 8 and Waterman 3. The majority of the capital called related to a follow-on investment, with the remaining amounts relating to management fees and working capital requirements for the period.

As at 31 December 2022, all VPEG2A and VPEG2B investors had Paid Capital to each entity totalling 100% of their committed capital to VPEG2.

In the midst of the ongoing economic uncertainty, VPEG2's private equity managers continue to focus on utilising their knowledge and resources to build and maintain long-term sustainable earnings across the underlying portfolio. While, Vantage's underlying managers recognise that the macroeconomic conditions are and will continue to cause some near-term issues, the investment approach of creating long-term value in the portfolio companies remains unchanged.

With the Fund performance since inception continuing to exceed public markets, VPEG2's portfolio is well positioned to continue deliver strong, risk-adjusted returns for investors. VPEG2's recent stream of distributions back to investors is expected to continue through 2023, as managers continue to enter the final stages of negotiating the sale of underlying portfolio company investments. In line with this, a further distribution will be paid to all VPEG2A and VPEG2B investors totalling \$0.07 per unit during February 2023 relating to the recent realisations from the portfolio.

OVERVIEW OF ANNOUNCED EXITS

JSW AUSTRALIA - ALLEGRO FUND II

During the quarter, Allegro entered into a conditional share sale agreement to sell 100% of JSW to an undisclosed trade bidder. The JSW sale is expected to complete in 1Q23 but is subject to a range of conditions.



Allegro Fund II acquired JSW in December 2016, after its' parent company, formerly listed Hughes Drilling, went into voluntary administration. Allegro's investment thesis was focused around the development of strict contract pricing terms, growth through targeting new key blue chip customers and improving systems and processes, leading to an overall enhancement of JSW's corporate business.

The sale of JSW is expected to be completed during the March 2023 quarter. Upon completion, VPEG2's share of the exit proceeds will be subsequently distributed back to VPEG2, and ultimately onto investors.

OVERVIEW OF COMPLETED EXITS

FIFTYFIVE5 - MERCURY CAPITAL FUND 2

In December 2022, Mercury Capital Fund 2 (MCF2) completed the 100% sale of Fiftyfive5 to Accenture, a NYSE-listed global professional services business. Accenture operates in over 120 countries, employing 721,000 people and has a market capitalisation of US\$190bn.



MCF acquired Fiftyfive5 in November 2018, through the merger of FiftyFive5 and GalKal. Across Mercury's investment, management helped drive growth by increasing employee count from 105 to over 200, and generated EBITDA growth of ~130%.

The sale of Fiftyfive5, completed on 19 December 2022, delivered a strong return for MCF2 investors, including VPEG2 across a 4-year holding period. VPEG2's share of the sale proceeds were subsequently distributed back to VPEG2 following completion of the exit.

PANTHERA FINANCE - CPE CAPITAL 8 (FORMERLY CHAMP IV)

During October 2022, CPE Capital 8 completed the 100% sale of Panthera Finance to Brookfield, one of the world's largest alternative investment management companies.



CPE Capital 8 acquired Panthera in December 2017, when it invested in loan notes issued by Panthera. The sale of Panthera Finance delivered a robust return for CPE Capital 8 investors, including VPEG2 across the Funds investment hold period. VPEG2's share of the sale proceeds were distributed to VPEG2 during November 2022.

PORTFOLIO STRUCTURE

VPEG2's PORTFOLIO STRUCTURE - 31 DECEMBER 2022

The tables and charts below provide information on the breakdown of VPEG2's investments as at 31 December 2022.

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	
4.4%	7.4%	Later Expansion	29.5%
		Buyout	58.7%

VPEG2B			
Cash	Fixed Interest Investments	Private Equity	
4.1%	6.5%	Later Expansion	29.3%
		Buyout	60.1%

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 29 exits completed from the portfolio at quarter end. As a result, VPEG2's Private Equity portfolio and commitments, as at 31 December 2022 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	6
Allegro Fund II	\$180m	2014	Lower to Mid Market Expansion / Buyout	\$4.0m	\$2.0m	\$3.93m	\$1.96m	9	5
Mercury Capital Fund 2	\$300m	2015	Lower to Mid Market Expansion / Buyout	\$3.8m	\$1.2m	\$3.46m	\$1.09m	7	5
CPE Capital 8	\$735m	2016	Mid Market Buyout	\$6.0m	\$2.0m	\$5.80m	\$1.93m	10	7
Waterman Capital Fund 3	NZ\$200m	2016	Lower to Mid Market Expansion / Buyout	NZ\$3.0m	NZ\$1.0m	\$2.20m	\$0.70m	4	3
Pencarrow Bridge Fund	NZ\$80m	2016	Lower to Mid Market Expansion / Buyout	NZ\$1.5m	NZ\$0.5m	\$1.26m	\$0.41m	4	1
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	\$4.81m	\$1.60m	6	1
Co-invest (Fitzpatrick Financial Group)	\$200m	2017	Mid Market Expansion	\$0.4m	\$0.1m	\$0.43m	\$0.14m	1	-
Total^{3.}				\$38.0m	\$13.1m	\$33.13m	\$11.48m	55	29

^{3.} 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.

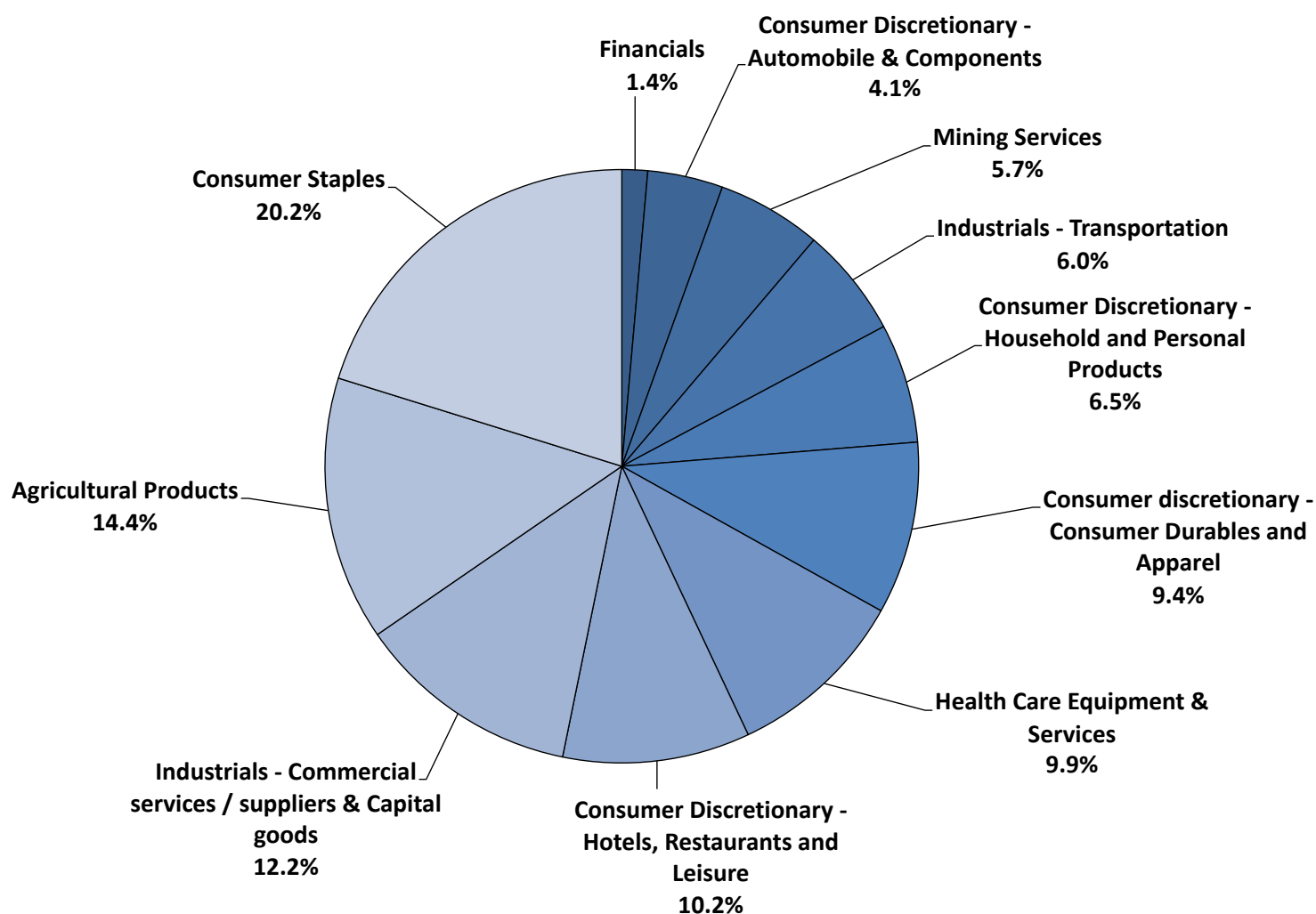
SUMMARY OF VPEG2's TOP 10 UNDERLYING PRIVATE EQUITY INVESTMENTS

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 2022.

Rank	Investment	Fund	Description	% of VPEG2's Private Equity Investments	Cumulative %
1	Delta Agribusiness	Odyssey Private Equity Fund 8	Provider of Agricultural Products and Independent Rural Services	7.8%	7.8%
2	ASDAM (previously Marand)	CPE Capital 8	Supplier of Precision Engineered Solutions for Aerospace & Defence Industries	7.6%	15.4%
3	Hellers	Adamantem Capital I	Producer of Processed Meats in New Zealand	6.9%	22.3%
4	Hygain Holdings Pty Ltd	Adamantem Capital I	Premium Horse Feed Manufacturer & Distributor	6.7%	29.0%
5	Noisette Bakery	Next Capital Fund III	Artisanal Commercial Bakery	6.4%	35.4%
6	Tamaki Health Group	Mercury Capital 2	New Zealand Primary Care Operator	5.8%	41.2%
7	Lynch Group	Next Capital III	Wholesaler and grower of flowers and potted plants in Australia & China	5.0%	46.2%
8	FRANKIE4	Odyssey Private Equity Fund 8	Leading Womens Supportive Footwear Label	4.8%	51.0%
9	Adventure Holdings Australia Pty Ltd	Odyssey Private Equity Fund 8	Leading Outdoor Equipment Brand	4.7%	55.7%
10	Sushi Sushi	Odyssey Private Equity Fund 8	Franchisor and Sushi Retailer	4.7%	60.4%

INDUSTRY SPREAD OF VPEG2's UNDERLYING INVESTMENTS

VPEG2's exposure to the "Consumer Staples" industry sector which consists of Hellers, Noisette Bakery, Everest, My Food Bag (residual shares held following its exit and ASX / NZX listing) and The Collective represents VPEG2's largest industry sector exposure representing 20.2% of VPEG2's total Private Equity portfolio at quarter end.



Figure; Industry exposure of VPEG2's underlying investments as at 31 December 2022

MARKET & ECONOMIC UPDATE

The Australian economy continued to show resilience during the final quarter of 2022, with consumption activity remaining buoyant despite a significant drop off in consumer sentiment. Aggregate spending was held up by high levels of employment, a drawing down of savings, and the remnants of catch-up spending associated with the pandemic. Australia's GDP expanded +0.6% quarter on quarter and +5.9% year on year in Q3-22.

Inflation continued to edge higher during the December quarter, with annual headline and core inflation running at 7.8% and 6.9% respectively, the highest levels since the early 1980s. Australia's labour market is operating beyond full capacity, with an unemployment rate of 3.5% and nominal wages growing by 1.2% over the September quarter and 3.4% over the past 12 months.

This quarter, the new Albanese Government handed down their first Budget, with new spending initiatives largely offset by savings measures to ensure fiscal policy was not stoking inflation. The RBA ratcheted up the cash rate by 325 basis points over nine consecutive months, which is now sitting at 3.35% as at mid-February.

The current consensus macroeconomic forecast is for Australia to experience a slowdown in economic growth in 2023 to 1.9% but not to enter a recession.

In New Zealand, a similar trend in can be observed, with real GDP growth set to slow to 1% in 2023, owing to weakening private demand and falling real incomes. Following the gradual easing of COVID-19-related restrictions, growth has picked up and consumer and business sentiment has improved, although remains quite depressed. Border re-opening has contributed to a surge in tourist arrivals, albeit to levels that remain much lower than before the pandemic.

Private equity activity remained quite robust in Q4 with 8 new buyout transactions announced or completed over the period. Most of these were at the smaller end of the market, with limited availability of financing and tighter covenants impacting deal execution for large buyouts. As illustrated through the exit activity in VPEG2's portfolio over the last quarter, the market remains attractive and open to exits via trade or secondary sales. VPEG2's underlying managers report that there are a number of ongoing discussions and negotiations for the exit of portfolio companies, which are expected to be completed over the next three to six months, ultimately delivering VPEG2 investors with a strong risk adjusted return.

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