QUARTERLY REPORT

VANTAGE PRIVATE EQUITY GROWTH 2

QUARTERLY INVESTOR REPORT
30 SEPTEMBER 2023

VPEG2 DIVERSIFY GROW OUTPERFORM

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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 $51.1m[1] of commitments across eight Private Equity funds and one co-investment. As a result, VPEG2 has invested in 55 underlying company investments, with 32 exits completed or announced to date. As at 30 September 2023, VPEG2's investment commitments include; $10m to Adamantem Capital Fund I; $8m to each of CPE Capital 8, 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 in 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 pays a 10.0% distribution to all VPEG2A and VPEG2B investors during September 2023, increasing the Fund's Distributed to Paid In (DPI) ratio to 1.509x and 1.468x, respectively at quarter end

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As a result, VPEG2A's and VPEG2B's Total Value to Paid In (TVPI) ratio is 2.279x and 2.278x as at 30 September 2023

VPEG2A and VPEG2B have now delivered a net of fees annualised return of 18.6% p.a. and 13.1% p.a. respectively, since the final close of VPEG2 in May 2015 to 30 September 2023

PERFORMANCE

Both VPEG2A and VPEG2B have had a strong first quarter to the 2024 financial year, with valuations remaining stable across the portfolio. Underlying managers are currently in advanced discussions to exit a number of portfolio companies, which are expected to be sold by the end of this calendar year and across 2024.

During the period, VPEG2 paid a 10.0% distribution to both VPEG2A and VPEG2B investors as a result of the completion of previously announced exits Dutton Group, by CPE Capital 8, Pizza Hut, by Allegro Fund II, as well as from the dividends and continued earnout of underlying portfolio companies to 30 September 2023.

As a result, VPEG2A and VPEG2B cumulative distributions paid to all investors totalled $1.509 per Unit and $1.468 per Unit as at 30 September 2023.

As at 30 September 2023, VPEG2A and VPEG2B have delivered net returns to investors of 18.6% p.a. and 13.1% 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 30 September 2023.

	VPEG2 Entity	
	VPEG2A	**VPEG2B**
Cash	0.2%	1.0%
Fixed Interest	0.9%	1.1%
Private Equity (Value)	98.9%	97.9%
Paid Capital ($ / Unit)	$1.00	$1.00
NAV ($ / Unit)	$0.770	$0.810
Cumulative Distributions Paid ($ / Unit)	$1.509	$1.468
Total Value + Distributed ($ / Unit)	$2.279	$2.278
Net Return Since Inception (p.a.)	***18.6%***	***13.1%***

Across the quarter, VPEG2A's Net Asset Value (NAV) decreased 11.2% from $0.867 per Unit at 30 June 2023 to $0.770 as at 30 September 2023. VPEG2B's Net Asset Value (NAV) decreased 10.9% from $0.921 per Unit at 30 June 2023 to $0.810 per Unit as at 30 September 2023.

The decrease was as a result of the $0.10 per Unit distribution paid to all VPEG2A and VPEG2B investors in September 2023. Taking into consideration this distribution, VPEG2A's and VPEG2B's NAV increased 0.32% and 0.08%, respectively, due to the minor valuation uplifts across the portfolio as a result of the improving operating environments, outweighing expenses of the Fund across the period.

Note; MoIC refers to Multiple of Invested Capital & IRR is the Internal Rate of Return or annualised return on the invested capital in each company, at exit.

PORTFOLIO DEVELOPMENTS

Across the September 2023 quarter, VPEG2 made further progress in the sell-down of remaining portfolio companies, with the completed sale of one previously announced exit.

During the quarter, VPEG2 received distributions totalling $1,355,162 from Allegro Fund II, reflecting the proceeds received from the sale of previously announced exit Pizza Hut.

Drawdowns during the quarter from VPEG2 totalling $41,391 were paid to Odyssey Fund 8, Yorkway IT (Fitzpatrick Co-invest), Waterman Fund 3 and Pencarrow Bridge Fund, covering management fees and working capital requirements for the period.

The economic uncertainty and fears of a recession that have been affecting global economies recently seem to have somewhat alleviated. Inflation in major economies has stablised, and interest rates are approaching their projected peaks. VPEG2's private equity managers have demonstrated resilience in guiding their portfolio companies through these uncertain times, and they will continue to do so until realisations are achieved. Vantage's managers' primary focus is to establish a pattern of robust and sustainable earnings to create long-term value in the portfolio companies, and we believe this goal has been broadly accomplished throughout the portfolio.

As VPEG2 progresses through the Fund's harvesting stage, the exceptionally high levels of unused capital in private markets, coupled with an increasing amount of M&A activity, should provide a favourable environment for exiting investments, whether through secondary sales or trade transactions. From the discussions with VPEG2's underlying managers, several portfolio companies are currently in exit negotiations and are expected to conclude in the short to medium term, promising strong and well-considered returns for investors.

As of the September 2023 quarter end, VPEG2 had ultimately invested in 55 underlying company investments and had completed 32 exits (fully or partially realised) from the portfolio.

REMINDER OF VPEG5's FINAL CLOSE 17TH DECEMBER 2023

VPEG5 continues the same successful investment strategy implemented by Vantage's previous Private Equity Growth Funds, which at 30 June 2023 had investments across **31 Australian Private Equity Funds**, who in turn had invested in **169 companies** across a broad range of industry sectors and had **exited (sold) 88 of these investments** generating a gross **2.9x multiple of invested capital** delivering an average gross **Internal Rate of Return of 49.7% p.a.**

VPEG5 with a target fund raise of $250m, has made investment commitments, totalling $169 million as at 30 September 2023, across eight primary private equity funds (all now closed to new investors) and four co-investments. As a result, 16 unique underlying investments exist within VPEG5's portfolio.

VPEG5's investment commitments include $25 million to each of Anchorage Capital Partners Fund IV and Allegro Fund IV; $20 million to each of Advent Partners 3 Fund, CPE Capital 9, Riverside Australia Fund IV, Next Capital Fund V and $15 million to Mercury Capital Fund twenty2. VPEG5's co-investments include $1 million to each of Gull New Zealand, EventsAir, CompareClub and Pac Trading.

An investment application can be made through Vantage's secure online application process by clicking on the link below;

INVEST IN VPEG5 NOW >>

If you wish to learn more about VPEG5 as a potential investment opportunity, please contact Vantage's Investor Services Team via email info@vantageasset.com to request for further information or schedule a meeting with a Vantage Principal.

PORTFOLIO STRUCTURE

VPEG2's PORTFOLIO STRUCTURE - 30 SEPTEMBER 2023

The tables and charts below provide information on the breakdown of VPEG2's investments as at 30 September 2023.

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	
0.2%	0.9%	Later Expansion	35.0%
		Buyout	63.9%

VPEG2B			
Cash	Fixed Interest Investments	Private Equity	
1.0%	1.1%	Later Expansion	37.4%
		Buyout	60.5%

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 32 exits completed from the portfolio at quarter end. As a result, VPEG2's Private Equity portfolio and commitments, as at 30 September 2023 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	$5.17m	$1.72m	8	7
Allegro Fund II	$180m	2014	Lower to Mid Market Expansion / Buyout	$4.0m	$2.0m	$3.92m	$1.96m	9	6
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	$5.29m	$1.76m	10	8
Waterman Capital Fund 3	NZ$200m	2016	Lower to Mid Market Expansion / Buyout	NZ$3.0m	NZ$1.0m	$2.30m	$0.73m	4	3
Pencarrow Bridge Fund	NZ$80m	2016	Lower to Mid Market Expansion / Buyout	NZ$1.5m	NZ$0.5m	$1.29m	$0.42m	4	1
Adamantem Capital Fund I	$591m	2017	Mid Market Expansion / Buyout	$7.6m	$2.4m	$6.43m	$2.03m	6	1
Odyssey Fund 8	$275m	2017	Mid Market Expansion / Buyout	$6.0m	$2.0m	$5.26m	$1.76m	6	1
Co-invest (Fitzpatrick Financial Group)	$200m	2017	Mid Market Expansion	$0.4m	$0.1m	$0.45m	$0.14m	1	-
			Total[3.]	**$38.0m**	**$13.1m**	**$33.58m**	**$11.62m**	**55**	**32**

[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.

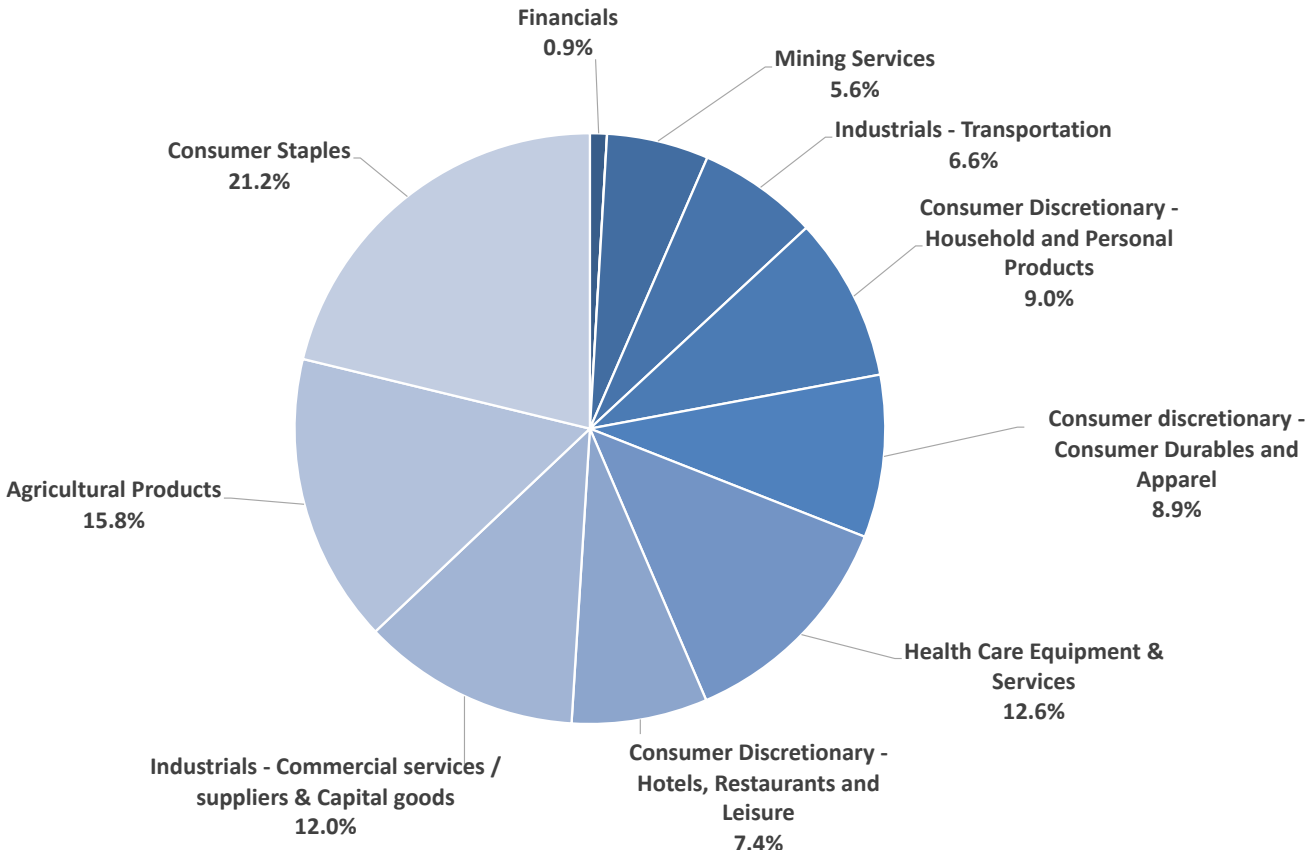
SUMMARY OF VPEG2's TOP 10 UNDERLYING PRIVATE EQUITY INVESTMENTS

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 30 September 2023.

Rank	Investment	Fund	Description	% of VPEG2's Private Equity Investments	Cumulative %
1	Delta Agribusiness	Odyssey 8	Provider of Agricultural Products & Independent Rural Services	9.1%	9.1%
2	Hellers	Adamantem Capital 1	Producer of processed meats in New Zealand	8.6%	17.7%
3	Tamaki Health Group	Mercury Capital 2	New Zealand Primary Care Operator	6.9%	24.6%
4	Hygain Holdings Pty Ltd	Adamantem Capital 1	Premium horse feed manufacturer & distributor	6.8%	31.4%
5	Sushi Sushi	Odyssey 8	Franchisor & Sushi Retailer	6.4%	37.8%
6	Lynch Group	Next Capital III	Wholesale and grower of flowers and potted plants in Australia & China	6.2%	44.0%
7	Noisette Bakery	Next Capital III	Artisanal Commercial Bakery	6.1%	50.1%
8	FRANKiE4	Odyssey 8	Leading Women's Supportive Footwear Label	5.5%	55.6%
9	Legend Corporation	Adamantem Capital 1	Wholesaler & Distributor of Electrical & Gas Products	4.8%	60.4%
10	Marand	CPE Capital 8	Supplier of Precision Engineered Solutions for Aerospace & Defence Industries	4.6%	65.0%

INDUSTRY SPREAD OF VPEG2's UNDERLYING INVESTMENTS

VPEG2's exposure to the "Consumer Staples" industry sector which consists of Hellers, Noisette Bakery, Everest and The Collective represents VPEG2's largest industry sector exposure representing 21.2% of VPEG2's total Private Equity portfolio at quarter end.



Figure; Industry exposure of VPEG2's underlying investments as at 30 September 2023

MARKET & ECONOMIC UPDATE

While not devoid of its challenges, the outlook for both Australia and New Zealand appears positive. Covid-related issues seem to have become a thing of the past, with both economies displaying their resilience. A modest number of residual pandemic issues remain, manifesting as some supply chain problems and a weakness in commercial real estate caused by hybrid work practices. These are being addressed as a matter of routine.

In contrast to the United States, both countries have functioning democratic processes. In mid-October, Australia held a national and somewhat controversial referendum related to Aboriginal rights. Simultaneously, New Zealand held a general election. The campaigns leading up to these events were not without emotion, and the results did not necessarily align with expectations. Nevertheless, there was no civil unrest following the outcomes, and the losing parties in both countries accepted the results.

Geopolitically, the near-term outlook is somewhat mixed. Australia and New Zealand have managed to avoid direct repercussions from the conflict in Ukraine and have arguably benefited from the ongoing strength in food and agricultural exports, as well as energy shipments.

The geopolitical outlook and relationship with China pose a more pressing challenge due to its role as a major trading partner, its more assertive regional stance, and its obvious proximity. New Zealand has managed its relationship with China more adeptly than Australia and consequently enjoys a more positive rapport. With a significant shift towards right-wing politics and a change of government, New Zealand's approach to dealing with China may be less accommodating than it was under the previous NZ Labour government. The acid test of this will come if New Zealand follows Australia into regional defence alliances.

China remains Australia's most substantial near-term challenge from both a political and trade perspective. Australia's new government is making gradual progress, but it faces a slow pace of change, with forward steps often accompanied by sidesteps or even reversals. On a positive note, Chinese Australian journalist Cheng Lei was recently released from Chinese detention after three years of incarceration on questionable charges.

On the negative side of the ledger, the removal of trade sanctions against various Australian exports has taken longer than anticipated. While an agreement regarding wine exports seems to have been reached, it was not a straightforward process. At the eleventh hour, the Chinese government attempted to link the release of Australian wine imports with the removal of anti-dumping actions brought by Australian Customs against various Chinese steel products. There was no direct or evident connection between the two industries, but the Chinese government opportunistically sought to improve their position.

While the medium-term trend in inflation appears positive, recent short-term fluctuations in Australian inflation figures and employment statistics in both countries are causes for concern. Both countries are currently experiencing full employment and tight labor markets. Core inflation remains relatively high, prompting both central banks to consider the possibility of further interest rate hikes. Even if such rate increases do not materialize, there is a broad consensus that it will be some time before interest rate reductions become a topic of discussion. Any additional rise in energy costs, whether in the form of oil or gas, could further exacerbate the situation.

With New Zealand's OCR set at 5.5%, interest rates in the country remain higher than those in most other developed nations worldwide. In contrast, the RBA has taken a slightly more measured approach, with current rates at 4.1%. However, in its most recent meeting, the RBA expressed ongoing concerns about inflation and hinted at the possibility of a rate increase when it convenes in November. This more moderate stance on interest rates appears to have helped avert the housing and credit crises that some people had predicted. The residential real estate market in Australia remains stronger than expected but has not experienced the same level of exuberance as seen in New Zealand.

There is always a degree of risk that the growth forecasts for both countries may fall short of expectations. Factors that could contribute to such a scenario include the resurgence of inflation, possibly linked to higher oil prices. A greater risk likely stems from unforeseen geopolitical events or, indeed, from a "black swan" event.

Should any of these circumstances occur, it is worth noting that both countries have operational democratic processes, relatively modest debt-to-GDP ratios (especially when compared to many other developed economies), and robust banking systems, providing some level of comfort.

AUSTRALIA AND NEW ZEALAND CURRENT PRIVATE EQUITY CONDITIONS

Private equity activity in Australia continues to move at a moderate pace, though there was a slight increase during the September quarter. Nine acquisitions were either announced or completed in various sectors, including financial services, retail, healthcare, and software. Notable deals involved three transitions from public to private ownership in the large-cap sector. Additionally, nine exits were announced or completed during the same quarter.

The public initial public offering (IPO) market remains largely inaccessible for most transactions. Concerns persist regarding a decelerating economic environment and shrinking profit margins, with the full cost impacts of inflation unable to be passed on to customers. There is a growing emphasis on the prospects of consumer discretionary companies that grapple with both cost inflation and dwindling consumer confidence. Local investment banks are streamlining their equity capital markets and deal teams in anticipation of a prolonged period of reduced market activity.

Debt markets, on the other hand, remain open and continue to attract interest from commercial banks and credit funds seeking appropriate levels of leverage. However, a discernible "risk-off" approach is observable among the major trading banks, and this trend may manifest further in the upcoming months.

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