

VANTAGE PRIVATE EQUITY GROWTH 2



QUARTERLY INVESTOR REPORT
30 JUNE 2024

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EXECUTIVE SUMMARY

Welcome to the Vantage Private Equity Growth 2 (VPEG2) quarterly investor report for the period ending 30 June 2024.

The June 2024 quarter presented a number of key events in the continued divestiture of VPEG2's underlying private equity portfolio. A significant majority of VPEG2's underlying private equity managers have transitioned their focus from creating further portfolio company value to vigorously preparing and positioning each underlying asset for a liquidity event. With this general mindset being undertaken by managers, VPEG2 has witnessed yet another active period of divestments, providing further profitable investment returns for VPEG2 and the Fund's investors.

PORTFOLIO HIGHLIGHTS

During the period three exits were either completed or announced. **Mercury Capital Fund 2** completed the exit of New Zealand-based provider of impact, adventure, and educational travel provider **International Volunteer HQ (IVHQ)**. In addition, **Next Capital Fund III** announced the exit of wholesale artisanal baker **Noisette**. Further, **Allegro Fund II** management announced the sale of **Everest Ice Cream**, a leading manufacturer and distributor of ice cream, gelato, sorbet, and frozen desserts. As a result of these exits, the total number of company exits from VPEG2's portfolio increased to 37 at period end.

In addition, two underlying funds, engaged advisors to seek potential buyers to exit their majority holdings in four portfolio companies, that account for ~14% of VPEG2's total portfolio value at period end. As a result, Vantage anticipates a rise in the number of exits from VPEG2's portfolio over the coming three to six months. This increase in exit activity is as a result of managers having successfully executed on the growth strategies of portfolio companies including achieving their earnings objectives, allowing them to strategically position their portfolio companies for a successful exit event.

VPEG2 FUND ACTIVITY

During the quarter, a capital call totalling \$135,200 was paid to Odyssey Private Equity Fund 8. The called capital was predominately due to management fees and working capital requirements throughout the period for VPEG2's holding in that fund.

No additional capital calls were issued by VPEG2 to investors as each of VPEG2A and VPEG2B had already called 100% of investors committed capital as at 30 June 2024.

During the period, distributions totalling \$539,461 were received from Allegro Fund II, CPE Capital 8, Mercury Capital Fund 2 and Pencarrow Bridge Fund. The distributions received during the period were predominately as a result of the divestment of Mercury Capital Fund 2 portfolio company IVHQ. The remainder of the distributions received related to the final realisation of escrowed amounts in previously exited portfolio companies and interest earned, including the principal amount of a portfolio company shareholder loan that expired during the period. As at 30 June 2024 the **Distributed to Paid In (DPI)** multiple to VPEG2A and VPEG2B investors was **1.509x** and **1.468x** respectively.

Due to the continued positive momentum in operating performance across the portfolio throughout the period, VPEG2A's and VPEG2B's **Net Asset Value (NAV)** as at 30 June 2024 was **\$0.786** and **\$0.819** per Unit respectively, generating a **net annualised return of 18.0% p.a. for VPEG2A investors and 12.7% p.a. for VPEG2B investors**, since the Fund's Final Close in May 2015. VPEG2A's and VPEG2B's investors **Total Value to Paid In (TVPI)** multiple at period end stands at **2.295x** and **2.287x** respectively.

VPEG6 CONDUCTS FIRST CLOSE & COMMENCES INVESTMENT PROGRAM

On 17th July 2024, Vantage Private Equity Growth 6 (VPEG6) conducted its First Close, raising a total of \$30 million in capital commitments from investors. As a result of achieving this milestone, the Investment Program for VPEG6 has commenced, resulting in AUD\$28 million of capital commitments being made across two primary commitments. These investments included; a \$10 million primary commitment to Allegro Fund IV Side Car 2 and an AUD\$18 million (NZD\$20 million) primary commitment to Waterman Fund 5 LP. These early commitments place VPEG6 into a good position to commence building and growing its investment portfolio across the next 6 to 12 months.



EXECUTIVE SUMMARY

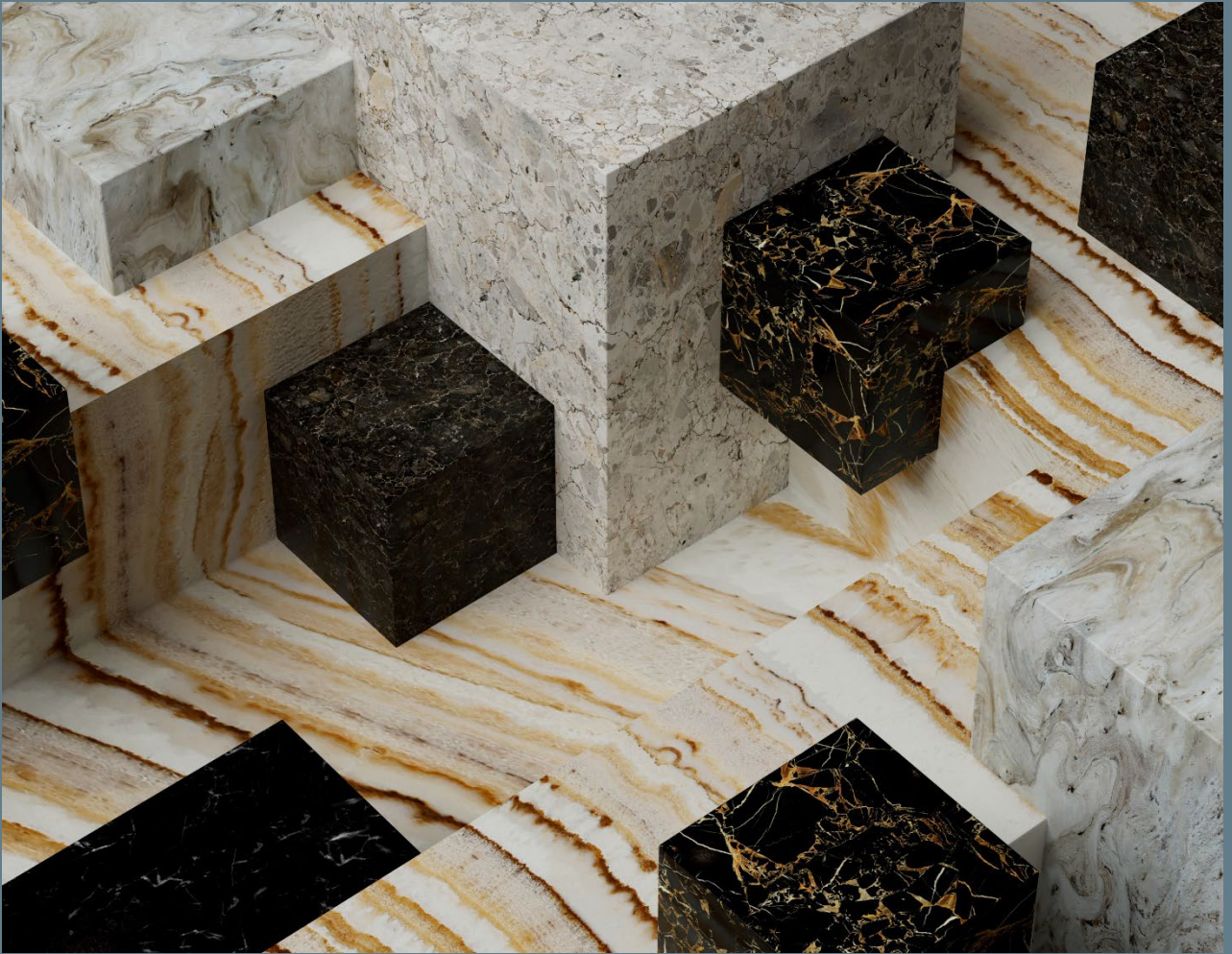
VPEG6 will remain open for investment until either its target size of \$250 million is reached, or the second anniversary of the First Closing Date. If you wish to learn more on VPEG6 or would like to make an application, please contact Vantage's Investor Services Team via email at info@vantageasset.com or call 02 9067 3133.

An application can be made by contacting your Wealth Adviser or VPEG6's Online Application form by copying the following link into your web browser;
<https://apply.automic.com.au/VPEG6>

VANTAGE TEAM ADDITIONS

Vantage's team continues to grow as a result of increasing investor demand and commitments to Vantage managed funds. During the quarter, Jonathan Kelly was appointed as a Non-Executive Director and Investment Committee Member of Vantage's Flagship private equity and secondary programs, bringing over 20 years of Australian mid-market private equity experience. His deep industry knowledge and strategic insights will undoubtedly assist to enhance Vantage's investment decisions as well as to reinforce the strength of returns to our investors. Additionally, the team welcomed David Abraham as an Investment Analyst from CDPQ's Infrastructure investment team and Alicia Cook as Investor Relations Manager from Ophir Asset Management, both bringing essential skills to strengthen Vantage's operations and investments.

PERFORMANCE



PERFORMANCE

IN AUD MILLIONS (NET)

QUARTER ENDING	30 JUNE 2024	
FINAL CLOSE	MAY 2015	
STRATEGY	PRIVATE EQUITY FUND OF FUNDS	
VPEG2 ENTITY	VPEG2A	VPEG2B
COMMITTED CAPITAL (\$M)	\$27.08	\$8.85
PAID CAPITAL (\$M)	\$27.08	\$8.85
NET ASSET VALUE (NAV) PER UNIT	\$0.786	\$0.819
DISTRIBUTED TO PAID IN (DPI) MULTIPLE	1.509x	1.468x
TOTAL VALUE TO PAID IN (TVPI) MULTIPLE	2.295x	2.287x
NET ANNUALISED RETURN	18.0%	12.7%
PORTFOLIO		
TOTAL COMMITTED CAPITAL TO PRIVATE EQUITY	\$51.50	
NO. OF PRIMARY PRIVATE EQUITY COMMITMENTS	8	
NO. OF CO-INVESTMENTS	1	
NO. OF PORTFOLIO COMPANIES	55	
NO. OF EXITS	37	
NO. OF REMAINING PORTFOLIO COMPANIES	18	



PRIVATE EQUITY PORTFOLIO





PRIVATE EQUITY PORTFOLIO

VPEG2 PRIVATE EQUITY PORTFOLIO

PRIVATE EQUITY FUND NAME	FUND / DEAL SIZE (\$M)	VINTAGE	INVESTMENT STRATEGY	COMMITMENT (\$M)	CAPITAL DRAWN (AUD\$M)	PORTFOLIO COMPANIES	EXITS
NEXT CAPITAL FUND III	\$265	2014	EXPANSION / BUYOUT	\$8.00	\$6.89	8	8
ALLEGRO FUND II	\$180	2014	EXPANSION / BUYOUT	\$6.00	\$5.89	9	7
MERCURY CAPITAL FUND 2	\$300	2015	EXPANSION / BUYOUT	\$5.00	\$4.55	7	6
CPE CAPITAL 8	\$735	2016	BUYOUT	\$8.00	\$7.05	10	8
WATERMAN FUND 3	NZ\$200	2016	EXPANSION / BUYOUT	NZ\$4.00	\$3.03	4	4
PENCARROW BRIDGE FUND	NZ\$80	2016	EXPANSION / BUYOUT	NZ\$2.00	\$1.71	4	2
ADAMANTEM CAPITAL FUND I	\$591	2017	EXPANSION / BUYOUT	\$10.00	\$8.46	6	1
ODYSSEY PRIVATE EQUITY FUND 8	\$275	2017	GROWTH CAPITAL	\$8.00	\$7.21	6	1
CO-INVEST NO.1 (FITZPATRICKS FINANCIAL GROUP)	\$200	2017	EXPANSION	\$0.50	\$0.59	1	0
TOTAL				\$51.50	\$45.38	55	37



PRIVATE EQUITY PORTFOLIO

TOP 10 HOLDINGS ACROSS THE PORTFOLIO

	PORTFOLIO COMPANY	FUND	DESCRIPTION	% SHARE	CUMULATIVE
1	DELTA AGRIBUSINESS	ODYSSEY FUND 8	PROVIDER OF AGRICULTURAL PRODUCTS & INDEPENDENT RURAL SERVICES	9.9%	9.9%
2	HELLERS	ADAMANTEM CAPITAL FUND I	PRODUCER OF PROCESSED MEATS IN NEW ZEALAND	9.0%	18.9%
3	FOOD ODYSSEY	ODYSSEY FUND 8	FRANCHISOR & SUSHI RETAILER	8.3%	27.2%
4	LEGEND CORPORATION LTD	ADAMANTEM CAPITAL FUND I	WHOLESALE & DISTRIBUTOR OF ELECTRICAL & GAS PRODUCTS	6.1%	33.3%
5	TAMAKI HEALTH GROUP	MERCURY CAPITAL 2	NEW ZEALAND PRIMARY CARE OPERATOR	6.1%	39.5%
6	NOISETTE	NEXT CAPITAL III	ARTISANAL COMMERCIAL BAKERY	5.8%	45.3%
7	MARAND	CPE CAPITAL 8	SUPPLIER OF PRECISION ENGINEERED SOLUTIONS FOR AEROSPACE & DEFENCE INDUSTRIES	5.6%	50.9%
8	HYGAIN HOLDINGS	ADAMANTEM CAPITAL FUND I	PREMIUM HORSE FEED MANUFACTURER & DISTRIBUTOR	5.5%	56.5%
9	EVEREST ICE CREAM	ALLEGRO FUND II	MANUFACTURER AND DISTRIBUTOR OF FROZEN DESSERTS	4.7%	61.2%
10	TERREX SEISMIC	ALLEGRO FUND II	SEISMIC SERVICES PROVIDER	4.7%	65.9%

Note: As the portfolio company exits of Noisette Bakery & Everest Ice Cream have been announced but not yet completed at quarter end, VPEG2's share of these investments remain unrealised and thus are reflected in the Top 10 Holdings table as at 30 June 2024.



PRIVATE EQUITY PORTFOLIO

INDUSTRY DIVERSIFICATION OF PORTFOLIO

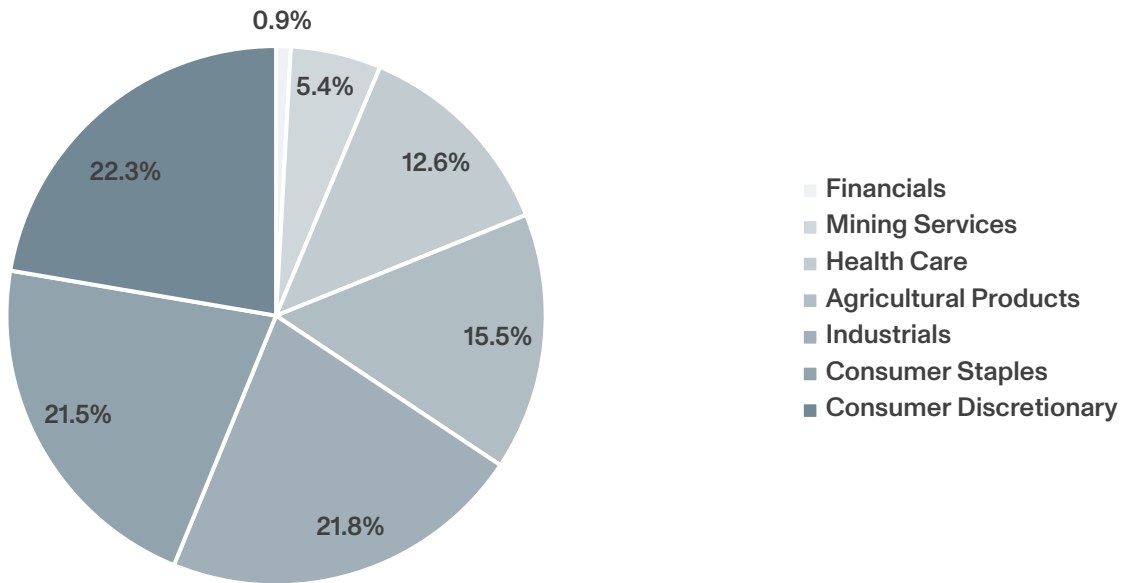


Image: Industry diversification of VPEG2 portfolio at period end 30 June 2024. Key is in ascending order.

PORTFOLIO ACTIVITY





PORTFOLIO ACTIVITY

Private equity activity throughout the June 2024 quarter was elevated with strong divestment activity across VPEG2's underlying portfolio. With the operating environment becoming more stable and a look through to future favourable economic conditions emerging, VPEG2's underlying managers noted that buyers are now willing to engage in exit negotiations with portfolio assets. As such, this will lead to further company exits and additional distributions to investors following the completion of each sale process.



During May 2024, **Mercury Capital Fund 2** completed the sale of **International Volunteer HQ (IVHQ)** to Castlerock, a New Zealand private business investment fund. Mercury acquired IVHQ in December 2017 and under the manager's ownership, a number of key strategic initiatives were successfully executed. Management expanded the portfolio of core volunteer tourism products and established a US-based sales team targeting the US higher education segment. Significant pricing and margin optimisations were delivered, and net debt was reduced to nil. Additionally, management implemented significant changes to IVHQ's tech platform, resulting in improved marketing performance and on-site sales conversion. COVID had a significant impact on IVHQ's operations, effectively reducing revenues to nil given the lockdown regulations however, management were able to transition the business and exit with a modest investment return for investors, including VPEG2 during a challenging operating environment.



During June 2024, **Next Capital Fund III** announced the sale of **Noisette** to one of Australia and New Zealand's largest food manufacturers, George Weston Foods. Next Capital acquired Noisette in January 2018 which at the time was a Melbourne based artisanal commercial bakery. Next Capital executed on a number of strategic initiatives across their ownership. These include acquiring the #3 market player Brasserie Bread, which added scale, geographic reach, and new growth opportunities into new vehicles. They also made significant upgrades to their geographic footprint across sites in Melbourne, Sydney, and Brisbane.

The exit delivered a robust return to Next Capital Fund III investors, including VPEG2, which upon completion of the sale, expected during the September 2024 quarter, will provide VPEG2 with a strong distribution to distribute to investors.



In addition, during June 2024, **Allegro Fund II** announced the sale of **Everest Ice Cream** to a private consortium investor group. Allegro acquired Everest Ice Cream from private owners in October 2017. During Fund II's ownership, Allegro applied its Active Complex Transformation approach to achieve a strong turnaround and transformation including revamping the brand, investing in leading automation equipment, improving product quality, and growing its distributor relationships. Everest remained resilient and continued its growth journey under Allegro's ownership, during a volatile and challenging operating environment. This exit marks the seventh exit for Allegro Fund II and another profitable liquidity event, providing VPEG2 with a robust distribution during the September 2024 quarter.

Following completion and the receipt of the realised proceeds from these exits, VPEG2 will conduct a distribution to all VPEG2A and VPEG2B investors during the September 2024 quarter, further increasing VPEG2's total Distribution to Paid-In multiple ratio, and further improving the total return of the Fund to date.

VPEG2 expects that the number of underlying portfolio exits will increase over the coming period, as private equity managers engage sell-side advisors. Two notable portfolio companies that have publicly engaged sell side advisors to seek out an exit event include;

- **Adamantem Capital Fund I** portfolio company **Hellers** has engaged Luminis Partners to lead a sale process: and
- **Pencarrow Bridge Fund** has engaged Macquarie Capital to seek a new owner for portfolio company **Netlogix**.

As at 30 June 2024, VPEG2 had ultimately invested in 55 underlying portfolio companies, with 37 portfolio company exits completed or announced as at quarter end.

MARKET INSIGHTS





MARKET INSIGHTS

The Australian M&A environment over the last quarter saw fund managers exercise caution in deploying new capital unless new investments demonstrated a clear focus on strategic alignment and a long-term value creation strategy. Australian M&A deal volume dropped 9% in 1H24 from 1H23, but deal value rose 1% in that same period to reach AUD\$52.85bn. One of the key factors restraining M&A activity is the current macroeconomic climate, characterised by an array of unpredictable factors including interest rates, persistent inflation, and a general lack of business confidence.

There has been a notable shift towards strategic investments as fund managers adopt more risk-averse strategies. Today, fund managers are prioritising investments that promise clear strategic benefits, aligning closely with long-term objectives rather than short-term gains. This shift in the market highlights a preference for quality over quantity, with each investment needing to justify its associated risks and costs.

In response to continuing economic pressure on consumer demand, persistent inflation, and tight labour conditions, fund managers are focused on assisting portfolio companies with margin enhancement through productivity initiatives, targeted cost-reduction programmes, and growth initiatives aimed at driving market share growth.

Despite the challenging M&A environment, the lower to mid-market segment continues to offer significant value. These businesses are more attractive than their larger counterparts due to attractive entry valuations, various avenues for exit and modest amounts of leverage employed.

PRIVATE EQUITY ACTIVITY

During the June 2024 quarter, twelve acquisitions were announced or completed across various sectors, such as healthcare, education, software, and business support services. Eight exits were also announced or completed during this period. Vantage's Flagship program portfolio witnessed five acquisitions in the quarter across the education, energy, information technology, and professional services sectors.

As predicted last quarter, deal volumes continue to improve as investors look to capitalise on market uncertainty. Record levels of dry powder and a backlog of portfolio companies ready for sale suggest that deal activity will inevitably improve over the next twelve months. Key takeaways from Vantage's discussion with General Partners (GPs) include a favourable environment for negotiating buyer-friendly terms and a growing emphasis on operational improvements to drive value creation.

The lower to mid-market segment of private equity has continued to demonstrate its resilience. Over the last quarter, four investments were exited across Vantage's portfolio through either secondary sales or trade sales. This is in stark contrast to the large-cap segment of private equity, which relies heavily on the IPO market to exit investments.

Another attractive feature of mid-market private equity is that investments do not rely on leverage to generate returns and employ minimal to modest leverage in their investments. Instead, a greater emphasis is placed on value creation strategies, which has resulted in resilient valuations in the face of rising interest rates.

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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.



VANTAGE ASSET MANAGEMENT

