

Vantage Private Equity Growth 2

Quarterly Investor Report — Quarter Ending 30 September 2015



Special points of interest:

- Allegro II completes acquisition of a controlling interest in Carpet Court NZ.
- VPEG2 now ultimately holds interests in five underlying private equity company investments.
- VPEG2 NAV increases due to an enhancement in the holding value of the underlying Private Equity portfolio attributable to earnings improvements across the portfolio.

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SUMMARY

Background

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 will invest the majority of its Investment Portfolio into Australian based Private Equity funds who in turn are focused on investing into small to mid market sized companies headquartered in Australia and New Zealand, with enterprise value at initial investment of between \$20m and \$500m.

VPEG2's private equity investment portfolio will be developed over time and will ultimately make investment commitments into between six to eight private equity funds, including new (or Primary) private equity funds being established as well as into existing (or Secondary) private equity funds.

To date VPEG2 has made commitments of \$16.5m across three Primary private equity funds who in turn hold interests in four underlying companies. As at 30 September 2015, VPEG2's investment commitments include; \$6m to Allegro Fund II, \$5.5m to Next Capital Fund III and \$5m to Mercury Capital Fund 2.

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 and Trustee of Vantage Private Equity Growth (Trusts 2A & 2B)). 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. It 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

Performance

The period 1 July 2015 to 30 September 2015 saw the continued growth in VPEG2's portfolio of Private Equity investments.

During the period, Allegro II completed the acquisition of Carpet Court NZ (Carpet Court). As a result, VPEG2 held five underlying Private Equity company investments in its portfolio at the end of the quarter. An increase in the number of investments is set to continue with fund managers actively considering several investment opportunities.

The first table to the right provides a summary of the performance of VPEG2A's portfolio during the September 2015 quarter. As demonstrated VPEG2A's Net Asset Value (NAV) increased from \$0.064 per partly paid unit at the commencement of the quarter to \$0.078 per partly paid unit by 30 September 2015.

The increase in NAV resulted from an improvement in the holding value of investments across the underlying Private Equity portfolio due to earnings enhancement.

Month Ending	VPEG2A Paid Capital / Partly Paid Unit (\$)	VPEG2A NAV / Partly Paid Unit (\$)
30-Sep-15	0.10	0.078
31-Aug-15	0.10	0.060
31-Jul-15	0.10	0.060
30-Jun-15	0.10	0.064

The second table to the right provides a summary of the performance of VPEG2B's NAV per unit during the September 2015 quarter.

As demonstrated VPEG2B's NAV increased during the quarter from \$0.977 per unit to \$1.006 per unit, primarily due to the revaluation of investments within the underlying portfolio as noted above.

Month Ending	VPEG2B NAV / Fully Paid Unit (\$)
30-Sep-15	1.006
31-Aug-15	0.975
31-Jul-15	0.974
30-Jun-15	0.977

Key Portfolio Developments

During the September 2015 quarter, VPEG2 continued to grow its underlying Private Equity portfolio with one new investment added.

Draw downs during the quarter from VPEG2, totaling **\$453,333** were called by Allegro II. The capital called during the period was for VPEG2's share of **Allegro II's** acquisition of **Carpet Court NZ**, which was completed in July 2015. As a result, this investment was added to VPEG2's underlying private equity portfolio during the September quarter. Further details about this acquisition follow on page 3 of this report.

With Next III having previously completed two investments and Allegro II now having completed three investments, the total number of underlying private equity companies within VPEG2's portfolio as at 30 September 2015 was five.

“One new underlying company investment was acquired during the September 2015 quarter.”

OVERVIEW OF NEW INVESTMENT

Carpet Court NZ—Allegro Fund II

On 24 July 2015, Allegro Fund II completed the acquisition of Carpet Court NZ (Carpet Court) from Flooring Brands Limited. Carpet Court is New Zealand's largest flooring retailer with approximately 24% market share. It is the most recognised flooring retail brand in New Zealand and has been the market leader over the last 30 years. (The remainder of the market is highly fragmented with a number of small, family owned operators).

Carpet Court sells a variety of flooring products across 60 outlets in New Zealand, with 14 company owned stores; 13 owned in 50:50 joint ventures; 34 franchise stores and employs more than 400 staff.

Allegro were attracted to the Carpet Court opportunity due to the strong growth prospects forecast for the housing industry in New Zealand. In recent history, New Zealand has been experiencing a housing boom, driving up demand for household goods, with retail spending on furniture, floor coverings, houseware and textiles at a record \$NZ2.14 billion (\$A1.91bn) in the year ended 31 March 2015.

Allegro reported to the media that the Carpet Court acquisition was valued at more than \$20m.

Following completion, the CEO and other select members of the management team will be offered the opportunity to subscribe to a number of shares in the business. Assuming management's investment, Allegro will own a significant controlling interest of the shares in Carpet Court.

Allegro are now working with the management team at Carpet Court to increase operational performance and sales force effectiveness to ultimately grow revenues and enhance earnings.

PORTFOLIO STRUCTURE

VPEG2's Portfolio Structure – 30 September 2015

The tables and charts below provide information on the breakdown of VPEG2's investments as at 30 September 2015.

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	Private Equity	
2.9%	23.4%	Later Expansion	3.8%
		Buyout	69.9%

VPEG2B			
Cash	Fixed Interest	Private Equity	
0.6%	90.5%	Later Expansion	0.3%
		Buyout	8.6%

Carpet Court

As at 30 September 2015, VPEG2 had completed three underlying private equity fund commitments and ultimately held interests in five underlying company investments.

PORTFOLIO STRUCTURE – continued

Private Equity Portfolio

VPEG2, with commitments to three Private Equity funds, ultimately held interests in five underlying company investments at quarter end. As a result, VPEG2's Private Equity portfolio and commitments, as at 30 September 2015, were as follows:

Private Equity Fund Name	Fund Size	Vintage Year	Investment Focus	VPEG Commitment		Capital Drawn Down		Total No. of Investee Companies	No. of Exits
				VPEG2A	VPEG2B	VPEG2A	VPEG2B		
Next Capital Fund III	\$300m*	2014	Small to Mid Market Expansion / Buyout	\$3.5m	\$2.0m	\$0.44m	\$0.25m	2	0
Allegro Fund II	\$180m	2014	Small to Mid Market Expansion / Buyout	\$4.0m	\$2.0m	\$0.71m	\$0.35m	3	0
Mercury Capital Fund 2	\$300m	2015	Small to Mid Market Expansion / Buyout	\$3.8m	\$1.2m	\$0.114m	\$0.036m	0	0
Total				\$11.3m	\$5.2m	\$1.26m	\$0.64m	5	0

* Target Fund Size

Summary of VPEG2's Underlying Private Equity Investments

The table below provides an overview of the spread of underlying private equity investments in VPEG2's portfolio, for which funds had been drawn from VPEG2 (on a pro rata basis across both trusts A & B), as at 30 September 2015.

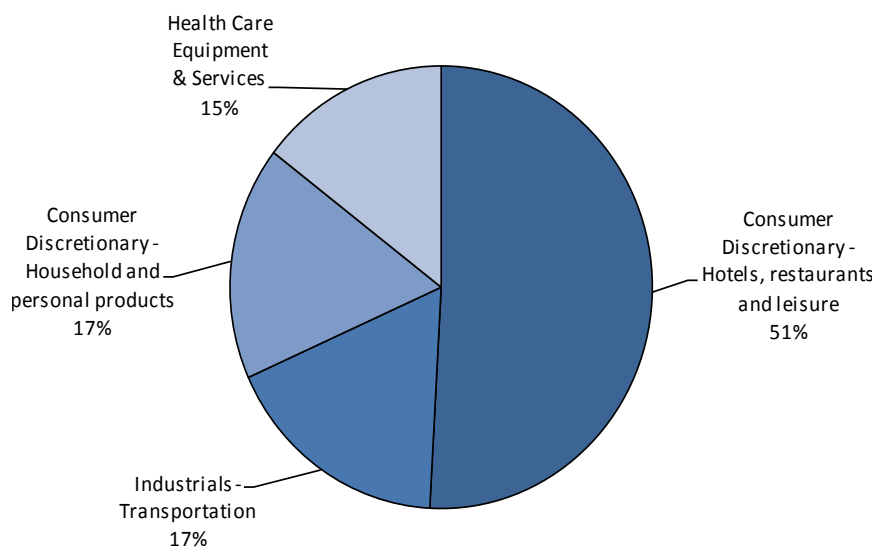
Rank	Investment	Fund	Description	% of VPEG2's Private Equity Investments	Cumulative %
1	Great Southern Rail	Allegro Fund II	Luxury tourism provider	50.9%	50.9%
2	Carpet Court NZ	Allegro Fund II	Flooring retailer	17.1%	68.0%
3	Infinite Aged Care	Next Capital III	Aged Care Operator and Developer	14.6%	82.5%
4	Forest Coach Lines	Next Capital III	Urban Bus Fleet Owner and Operator	10.1%	92.6%
5	Custom Bus	Allegro Fund II	Bus Manufacturer	7.4%	100.0%

PORTFOLIO STRUCTURE — continued

Industry Spread of VPEG2's Underlying Investments

With one addition to VPEG2's underlying Private Equity portfolio during the September 2015 quarter, VPEG2's industry exposure to the "Health Care" reduced from 33% to 15% and its exposure to "Industrials—Transportation" industry sectors reduced from 52% to 17%. Accordingly, with the addition of Carpet Court NZ, VPEG's industry exposure to "Consumer Discretionary— Household and personal products" increased from 0% to 17%.

Revaluations during the quarter also resulted in VPEG2's exposure to "Consumer Discretionary—Hotels, Restaurants and Leisure" sector to increase to 51%. This sector also represents VPEG2's largest industry exposure, as at 30 September 2015.



CONTACT DETAILS

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