

Vantage Private Equity Growth 2

Quarterly Investor Report — Quarter Ended 30 June 2016



Special points of interest:

- Mercury Capital 2 acquires a controlling interest in Australia's 2nd largest day hospital owner and service provider, Nexus Day Hospitals.
- Mercury Capital 2 investee, Hexagon Group, becomes the largest labels manufacturing business in Australasia following the bolt-on acquisition of Adhesif Labels.
- VPEG2 now ultimately holds interests in nine underlying company investments.

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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 \$30.7m¹ across five Primary Private Equity funds who in turn hold interests in nine underlying companies. As at 30 June 2016, VPEG2's investment commitments include; \$8m to each of CHAMP IV and Next Capital Fund III, \$6m to Allegro Fund II, \$5m to Mercury Capital Fund 2 and NZ\$4m to Waterman Fund 3.

Note 1. Assumes an AUD / NZ exchange rate 1.1

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 April 2016 to 30 June 2016 saw continued growth in VPEG2's portfolio of Private Equity investments.

During the period, one new Private Equity investment and one bolt-on acquisition was added to VPEG2's Private Equity portfolio. An increase in the number of investments is set to continue with fund managers actively considering several investment opportunities.

In addition, five capital calls from VPEG2 were made during the June 2016 quarter. Two of these calls were used to fund additional private equity investment and a bolt on acquisition. The third was used to repay bridging finance and the remaining calls were for working capital requirements.

The first table to the right provides a summary of the performance of VPEG2A's portfolio during the June 2016 quarter. As demonstrated, VPEG2A's Net Asset Value (NAV) increased from \$0.161 per partly paid unit at the commencement of the quarter to \$0.279 per partly paid unit by 30 June 2016. The increase in VPEG2A's NAV during the quarter was predominately due to the receipt of an additional 10% of committed capital from VPEG2A unitholders, following the issue of call 5 & 6 in April and June. Each call was for an additional 5% of committed capital, taking the total Paid Capital in VPEG2A to 30 cents per partly paid unit. The additional uplift in the value of the VPEG2A partly paid units was due to an improvement in the value of underlying investments during the quarter.

The second table to the right provides a summary of the performance of VPEG2B's NAV per unit during the June 2016 quarter.

As demonstrated, VPEG2B's NAV increased slightly during the quarter from \$1.00 to \$1.03 per unit, primarily due to the revaluation uplift of investments within the underlying portfolio during the quarter.

Note: Total Private Equity commitments assumes an AUD:NZ exchange rate of 1.1 for the total VPEG2 Commitment of NZ\$4m to Waterman Fund 3.

Month Ending	VPEG2A Paid Capital / Partly Paid Unit (\$)	VPEG2A NAV / Partly Paid Unit (\$)
30-Jun-16	0.30	0.279
31-May-16	0.25	0.205
30-Apr-16	0.25	0.197
31-Mar-16	0.20	0.161

Month Ending	VPEG2B NAV / Fully Paid Unit (\$)
30-Jun-16	1.030
31-May-16	0.995
30-Apr-16	0.990
31-Mar-16	1.000

Key Portfolio Developments

During the June 2016 quarter, VPEG2 continued to grow its underlying Private Equity portfolio with one new investment and one bolt-on acquisition added to the portfolio.

Draw downs during the quarter from VPEG2, totaling **\$2,023,905** were made to **Mercury Capital Fund 2** (Mercury 2), **Allegro Fund II** (Allegro II), **Next Capital Fund III** (Next III) and Waterman Fund 3 (**Waterman 3**).

Draw downs during the quarter from VPEG2, totaling \$1.2m were made to **Mercury 2**. The first of these draw downs funded VPEG2's share of the bolt-on acquisition of Adhesif to the **Hexagon Group**. The subsequent draw down funded VPEG2's share of Mercury 2's acquisition of **Nexus Day Hospitals** which was completed on 30 June 2016. These investments were added to VPEG2's underlying private equity portfolio during the June quarter. (See page 3 for further details).

The third draw down during the quarter from VPEG2 funded the repayment of the bridging facility used by **Next III**, for investments undertaken between their first and final close. The final close for Next III occurred on the 2 May 2016 with \$256 million in committed capital.

The remaining capital drawn from VPEG2 during the quarter funded Allegro II's and Waterman 3's June quarter working capital expenditure (i.e. underlying fund costs and management fees).

With Allegro II and Next III having completed three investments each, Mercury 2 having completed two investments and CHAMP IV having completed one investment, the total number of underlying Private Equity company investments within VPEG2's portfolio as at 30 June 2016 was nine.

"Mercury Capital 2 completes the acquisition of Nexus Day Hospitals, resulting in VPEG2 ultimately holding interests in nine underlying company investments at 30 June 2016."

OVERVIEW OF NEW INVESTMENTS

Nexus Day Hospitals – Mercury Capital Fund 2



On 30th June 2016, Mercury 2 completed the acquisition of Nexus Day Hospitals ('Nexus') from Wolseley Private Equity in conjunction with the simultaneous settlement of the Fund's investment and Nexus's acquisition of National Day Surgeries ('NDS').

Nexus was established in September 2013 and is an aggregation of Australian day hospitals performing ophthalmology, endoscopy, plastic surgery, ENT, orthopaedics, general surgery, dental surgery and other procedures.

NDS was established 20 years ago and operates three high quality day hospitals. NDS is also a highly successful greenfield developer of day hospitals.

The combined transaction establishes Nexus as the second largest day surgery business in Australia with a total of 10 high-quality day hospitals located along the southern and eastern states including Adelaide, Hobart, Melbourne, Sydney, Albury and Newcastle.

The combined business operates across five main medical craft groups (ophthalmic, gastro, plastic, orthopaedic and pain) with high quality surgical facilities and a management team with deep industry experience. Mercury is partnered in the investment by over 60 shareholder doctors.

The health industry remains an attractive opportunity for investors. As reported in the media there is a large amount of interest from potential investors due to the high projected growth attributed to Australia's ageing population. The day hospital sector has also experienced high growth driven by lower costs and better patient outcomes than alternative full service hospitals.

Adhesif Labels – Bolt on Acquisition—Hexagon Group

On 31 March 2016, Hexagon Holdings ('Hexagon'), acquired 100% of Adhesif Labels Limited ('Adhesif'). This acquisition establishes Hexagon as the leading labels industry participant across the Trans-Tasman, with a large market share in the New Zealand and placing it within the top five in Australia.

Since establishment in 1981, Adhesif has grown to become New Zealand's largest domestic labels industry participant and is headquartered in New Zealand with sites in Auckland and Sydney (since 1999). Adhesif is regarded as the New Zealand industry benchmark for technical excellence, speed and quality in the labels industry. Adhesif produces over half of its labels for the beverage sector, across wine, non-wine alcoholic and other beverages. Other key segments are retail, household products, nutraceutical/medical and personal care. Adhesif's customer base is largely orientated towards large multi-national corporate customers providing a complementary fit with Hexagon's existing customer base.

The successful bedding down of both the Adhesif and the, previously reported, Halley Labels acquisitions has created the largest labels manufacturing business in Australasia and positions the business for a year ahead focused on driving operating efficiencies and customer consolidation.

“Mercury Capital 2 investee, Hexagon Group, becomes the largest labels manufacturing business in Australasia following the bolt-on acquisition of Adhesif Labels”

PORTFOLIO STRUCTURE

VPEG2's Portfolio Structure – 30 June 2016

The tables and charts below provide information on the breakdown of VPEG2's investments as at 30 June 2016.

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.

"Next Capital III completes its final close on 2 May 2016 with \$256 million in committed capital."

VPEG2A			
Cash	Fixed Interest	Private Equity	
16.8%	2.0%	Later Expansion	14.1%
		Buyout	67.2%

VPEG2B			
Cash	Fixed Interest	Private Equity	
0.7%	73.9%	Later Expansion	3.7%
		Buyout	21.7%

Private Equity Portfolio

VPEG2, with commitments to five Private Equity funds, ultimately held interests in nine underlying company investments at quarter end. As a result, VPEG2's Private Equity portfolio and commitments, as at 30 June 2016, 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	\$265m	2014	Small to Mid Market Expansion / Buyout	\$6.0m	\$2.0m	\$1.64m	\$0.54m	3	0
Allegro Fund II	\$180m	2014	Small to Mid Market Expansion / Buyout	\$4.0m	\$2.0m	\$0.91m	\$0.46m	3	0
Mercury Capital Fund 2	\$300m	2015	Small to Mid Market Expansion / Buyout	\$3.8m	\$1.2m	\$1.22m	\$0.38m	2	0
CHAMP IV	\$1,000m*	2016	Mid Market Buyout	\$6.0m	\$2.0m	\$1.65m	\$0.55m	1	0
Waterman Fund 3	NZ\$200m	2016	Small to Mid Market Expansion / Buyout	NZ\$3.0m	NZ\$1.0m	\$0.08m	\$0.03m	0	0
Total (**)				\$22.6m	\$8.1m	\$5.50m	\$1.96m	9	0

* Target Fund Size

** Assumes AUD/ NZD exchange rate of 1.1

PORTFOLIO STRUCTURE — continued

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 June 2016.

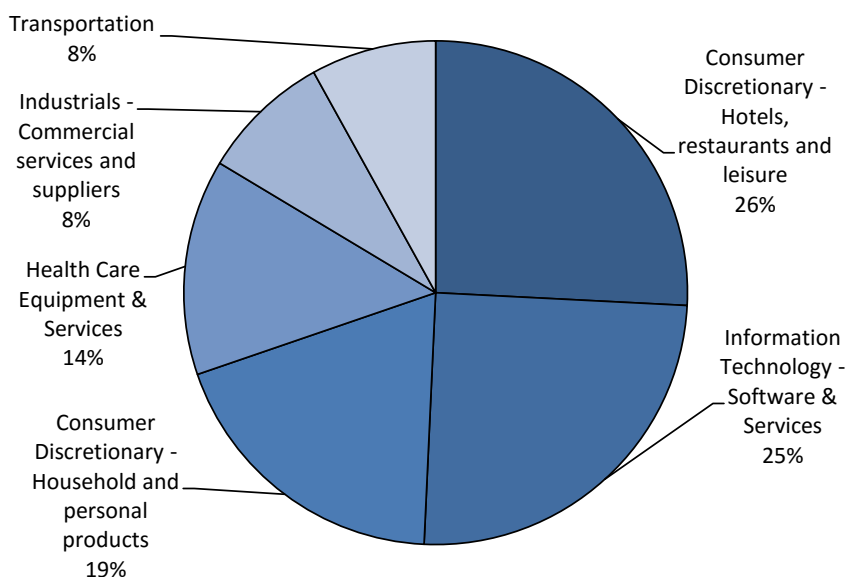
Rank	Investment	Fund	Description	% of VPEG2's Private Equity Investments	Cumulative %
1	Great Southern Rail	Allegro Fund II	Luxury tourism provider	25.8%	25.8%
2	Pepperstone	CHAMP IV	Online retail investment platform	24.9%	50.7%
3	Lynch Group	Next Capital III	Flower and potted plant operator	12.9%	63.6%
4	Nexus Day Hospitals	Mercury Capital 2	Day hospital owner and operator	7.8%	71.4%
5	Hexagon	Mercury Capital 2	Label manufacturer	8.4%	79.8%
6	Forest Coach Lines	Next Capital III	Urban bus fleet owner and operator	6.2%	85.9%
7	Carpet Court NZ	Allegro Fund II	Flooring retailer	6.1%	92.0%
8	Infinite Aged Care	Next Capital III	Aged care operator and developer	6.1%	98.1%
9	Custom Bus	Allegro Fund II	Bus manufacturer	1.9%	100.0%

Industry Spread of VPEG2's Underlying Investments

With the addition of Nexus Day Hospitals to VPEG2's underlying Private Equity portfolio during the June 2016 quarter, VPEG2 increased its exposure to the "Health Care—Equipment & Services" sector from 6% to 14%.

The bolt-on acquisition of Adhesif Labels by Hexagon Group increased VPEG2's exposure to "Industrials—Commercial Services & Suppliers" from 5% to 8%.

Revaluations during the quarter also increased VPEG2's exposure to "Consumer Discretionary—Hotels, Restaurants and Leisure", occupied by Great Southern Rail, from 22% to 26%. This sector represents VPEG2's largest industry exposure as at 30 June 2016.



CONTACT DETAILS

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