

Vantage Private Equity Growth 2

Quarterly Investor Report — Quarter Ended 30 September 2016



Special points of interest:

- Allegro II announces the sale of Great Southern Rail to Quadrant Private Equity delivering VPEG2 a strong top quartile return.
- Allegro II acquires the master franchise licence for Pizza Hut in Australia.
- CHAMP IV acquires Containerchain—a web based technology software provider servicing the container logistics sector.
- VPEG2 now ultimately holds interests in eleven 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.

VPEG2 has made commitments of \$30.7m¹ across five Primary Private Equity funds who in turn hold interests in 11 underlying company investments. As at 30 September 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 July 2016 to 30 September 2016 saw continued growth in VPEG2's portfolio of Private Equity investments.

During the period, two new Private Equity investments were 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, one of VPEG2's investee's announced the first exit of an underlying investment company after only a 16 month ownership period.

Furthermore, two capital calls from VPEG2 were made during the September 2016 quarter. One of these calls were used to fund a follow-on investment into an existing underlying private equity company and the other was for additional working capital requirements.

The first table to the right provides a summary of the performance of VPEG2A's portfolio during the September 2016 quarter. As demonstrated, VPEG2A's Net Asset Value (NAV) increased from \$0.279 per partly paid unit at the commencement of the quarter to \$0.304 per partly paid unit by 30 September 2016. The increase in VPEG2A's NAV during the quarter was predominately due to an improvement in the holding value of Great Southern Rail to sale price, following execution of the sale agreement with Quadrant Private Equity.

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

As demonstrated, VPEG2B's NAV increased during the quarter from \$1.03 to \$1.077 per unit, primarily due to the revaluation uplift of the Great Southern Rail investment 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-Sep-16	0.30	0.304
31-Aug-16	0.30	0.264
31-Jul-16	0.30	0.267
30-Jun-16	0.30	0.279

Month Ending	VPEG2B NAV / Fully Paid Unit (\$)
30-Sep-16	1.077
31-Aug-16	1.016
31-Jul-16	1.018
30-Jun-16	1.030

Key Portfolio Developments

During the September 2016 quarter, VPEG2 continued to grow its underlying Private Equity portfolio with two new investments added to the portfolio.

Draw downs during the quarter from VPEG2, totaling **\$324,667** were made to **Next Capital III** (Next III) and **Allegro Fund II** ('Allegro II').

The majority of these draw downs funded **Next III's** follow on investment in **Infinite Aged Care**. The remaining draw downs funded VPEG2's share of September quarter working capital expenditure (i.e. underlying fund costs and management fees).

During August, VPEG2 investee **CHAMP IV** invested in **Containerchain** a business to business, web based technology software provider servicing the container logistics sector. Also during September, VPEG2 investee **Allegro II** announced that together with a local management buy-in (MBI) team it had acquired the master franchisee licence for **Pizza Hut Australia**. As yet, no calls on VPEG2's capital have been received for these investments, as they have been funded in the interim by loan bridging facilities or from previous calls.

During July 2016, VPEG2 received a dividend distribution of **\$162,047** (including franking credits) from Allegro II investee company, Great Southern Rail.

During September, VPEG2 investee **Allegro II** announced that Quadrant Private Equity had entered into an agreement to acquire a majority stake in Allegro II portfolio company, **Great Southern Rail ('GSR')**. The sale agreement also provided Allegro II the opportunity to retain a share in the ultimate entity purchasing GSR, Experience Australia. The details for this co-investment will be provided in the VPEG2 December Quarter report once the co-investment transaction is completed.

The sale of GSR, which was completed in October 2016, delivered a top quartile return to Allegro II investors including VPEG2. During October, VPEG2 received its share of the net GSR sale proceeds totaling **\$2,596,044** (including franking credits).

Notifications regarding the distribution of these sale proceeds will be forwarded to all VPEG2 investors during the 2nd half of November.

With four investments completed by Allegro II, three by Next III and two by each of Mercury 2 and CHAMP IV, the total number of underlying Private Equity company investments within VPEG2's portfolio as at 30 September 2016 was eleven.

"CHAMP IV completes the acquisition of Containerchain and Allegro II acquires the master franchise licence for Pizza Hut, resulting in VPEG2 ultimately holding interests in 11 underlying company investments at 30 September 2016."

OVERVIEW OF NEW INVESTMENTS

Containerchain — CHAMP IV



On 31 August 2016 CHAMP IV invested in Containerchain, a business to business, web based technology software provider servicing the container logistics sector.

Containerchain's technological solutions are tailored to the intricacies of the Landside, Dockside and Waterside needs of all participants in the industry including freight forwarders, importers, exporters, transport operators, empty container depots and shipping lines.

Containerchain was founded in 2007 after founder, Tony Paldano identified a need to improve container depot operations after noting a growing dysfunction in the Melbourne empty container industry. In March 2010, at a forum of leading industry bodies, it was unanimously agreed that there was an urgent need for technology to share information between transport operators and empty depots.

Containerchain's software was subsequently installed at every Australian empty container depot with expanded operations to Singapore and Malaysia, where it is utilised at the Penang Port, the international gateway for the Northern region of Malaysia.

In 2012, Containerchain were recipients of the Technology and Innovation Award at the annual Australian Freight Industry Awards.

Pizza Hut Australia — Allegro II



On 6 September 2016, Allegro II announced that together with a local management buy-in (MBI) team it had acquired the master franchisee licence for Pizza Hut in Australia from US-based parent company Yum! Brands, global owner of the Pizza Hut brand.

Allegro will deploy its successful investment methodology of combining growth capital with management expertise to grow the Pizza Hut brand in Australia and drive operational improvements across the store network. As such, a highly experienced quick service restaurant (QSR) management team has been assembled as part of the transaction.

Pizza Hut has been a household name in Australia since the early 1970s. The brand has high awareness with consumers and an important part of Allegro's thesis involves repositioning and modernising the brand to capitalise on this brand recognition.

Pizza Hut was one of the first pizza companies to home deliver in Australia and Allegro will seek to revive this innovative legacy to enhance the experience for customers. Strategic investments in product and distribution will also have the opportunity to generate strong returns.

OVERVIEW OF RECENT EXIT (ANNOUNCED)



Great Southern Rail (GSR) — Allegro II

On 15 September 2016 Allegro announced that Quadrant Private Equity had entered into an agreement to acquire a majority stake in GSR.

During Allegro II's 16-month ownership, GSR's operations were converted from being a transport provider to providing passengers with a high quality tourism experience which ultimately delivered strong earnings growth for the business.

Allegro Founding Partner, Adrian Loader, said when Allegro acquired GSR it needed capital and dedicated focus to grow. "It wasn't the right fit under its previous owner but it had a strong management team in place, iconic assets and was well positioned to capitalise on the forecast growth of the luxury experiential tourism sector in Australia," he said.

"We helped stabilise the business through targeted investment and allowed it to begin to fulfil its potential. As a result, GSR has since launched a suite of highly successful new service offerings and it is close to fully booked for this season with strong sales in place for next year.

"The transformation of GSR in a short time-frame is a testament to all involved and now is the right time to transition the business to its next phase under the majority ownership of a well-established growth facilitator."

Key GSR management personnel, including Chris Tallent (CEO), Steve Bushaway (CFO), Steve Kernaghan (CRO) and Ian Ladd (COO) will continue under the proposed ownership arrangements.

The transaction was finalised in early October with VPEG2's share of the exit proceeds received later that month.

The GSR exit, representing the first exit from the VPEG2 portfolio, delivered Allegro II investors including VPEG2 a strong top quartile return. Distribution notifications, detailing the net proceeds of the sale will be sent to VPEG2 unit holders during November 2016.

PORTFOLIO STRUCTURE

VPEG2's Portfolio Structure – 30 September 2016

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

"Allegro II announces the sale of Great Southern Rail to Quadrant Private Equity, delivering VPEG2 a strong top quartile return."

VPEG2A			
Cash	Fixed Interest	Private Equity	
0.2%	13.4%	Later Expansion	13.4%
		Buyout	73.0%

VPEG2B			
Cash	Fixed Interest	Private Equity	
0.4%	70.2%	Later Expansion	3.7%
		Buyout	25.7%

Private Equity Portfolio

VPEG2, with commitments to five Private Equity funds, ultimately held interests in eleven underlying company investments at quarter end. The exit of GSR is not reflected below as the transaction was not finalised until after quarter end. As a result, VPEG2's Private Equity portfolio and commitments, as at 30 September 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	\$1.85m	\$0.61m	3	0
Allegro Fund II	\$180m	2014	Small to Mid Market Expansion / Buyout	\$4.0m	\$2.0m	\$0.94m	\$0.47m	4	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	\$1.34m	\$0.45m	2	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	\$5.42m	\$1.94m	11	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 September 2016.

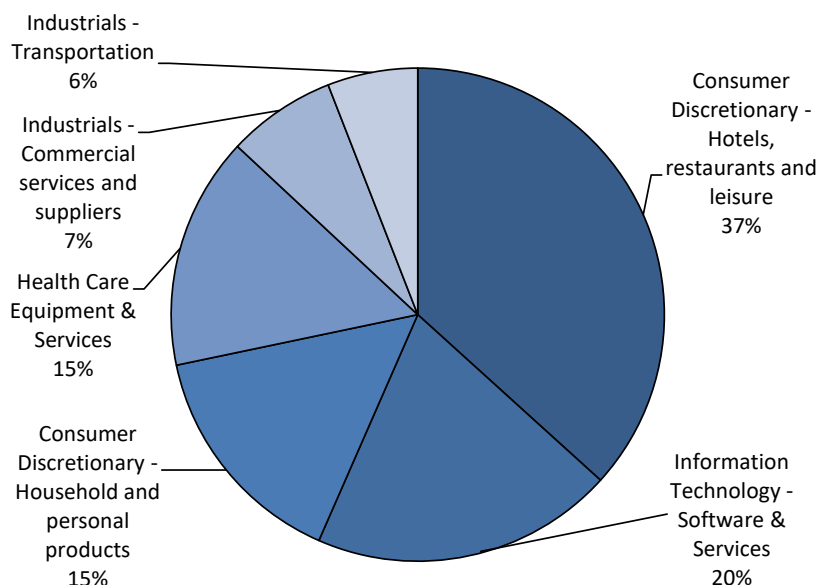
Rank	Investment	Fund	Description	% of VPEG2's Private Equity Investments	Cumulative %
1	Great Southern Rail	Allegro Fund II	Luxury tourism provider	25.8%	25.8%
2	Pepperstone	CHAMP IV	Online retail investment platform	24.9%	50.7%
3	Lynch Group	Next Capital III	Flower and potted plant operator	12.9%	63.6%
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

The follow on investment in Infinite Aged Care by VPEG2 investee Next Capital III increased VPEG2's exposure to "Health Care Equipment & Services" from 14% to 15%.

Revaluations during the quarter also increased VPEG2's exposure to "Consumer Discretionary—Hotels, Restaurants and Leisure", occupied by Great Southern Rail, from 26% to 37%. This also had the impact of proportionately decreasing VPEG2's exposure to all other sectors (other than that mentioned above).

The "Consumer Discretionary—Hotels, Restaurants and Leisure" sector represents VPEG2's largest industry exposure as at 30 September 2016.



CONTACT DETAILS

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