

Vantage Private Equity Growth 2

Quarterly Investor Report — Quarter Ended 31 December 2016



Special points of interest:

- VPEG2 Commits NZ\$2m to the Pencarrow Bridge Fund, managed by Wellington, NZ headquartered Pencarrow Private Equity.
- Four new underlying company investments added to VPEG2's portfolio during the quarter.
- Allegro II rolls a portion of its sale proceeds from Great Southern Rail into a co-investment in Experience Australia.

Inside this report:

Performance	2
Key Portfolio Developments	2
Overview of New Investments	3
Portfolio Structure	5
Industry Spread of VPEG2's Underlying Investments	6
VPEG3 Completes \$20m First Close	7
Contact Details	7

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 \$32.6m¹ across six Primary Private Equity funds who in turn hold interests in 15 underlying company investments. As at 31 December 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, NZ\$4m to Waterman Fund 3 and NZ\$2m to Pencarrow Bridge Fund.

Note 1. Assumes an AUD / NZ exchange rate 1.1 for Waterman 3 & 1.04 for Pencarrow Bridge Fund.

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 October 2016 to 31 December 2016 saw continued growth in VPEG2's portfolio of Private Equity investments.

During the period, four new Private Equity investments were added to VPEG2's Private Equity portfolio. The number of investments added is set to continue with fund managers actively considering several investment opportunities.

In addition, the exit of one underlying company investment was completed during the quarter (as announced in the September 2016 quarter).

Furthermore, seven capital calls were made on VPEG2, by underlying funds, during the December 2016 quarter. Three of these calls were used to fund the acquisition of new underlying private equity company investments. The remaining calls were used to fund one bolt on acquisition, two follow-on investments into existing underlying private equity companies and to fund additional working capital requirements of underlying funds.

The first table to the right provides a summary of the performance of VPEG2A's portfolio during the December 2016 quarter. As demonstrated, VPEG2A's Net Asset Value (NAV) increased from \$0.304 per partly paid unit at the commencement of the quarter to \$0.36 per partly paid unit by 31 December 2016. The increase in VPEG2A's NAV during the quarter was predominately due to the movement in unitholders equity (including calls and distributions from and to unitholders). The movement in unitholders equity during the quarter included, two calls during December (Calls #7 & #8) for a total of 11 cents per partly paid unit, which was offset by the simultaneous distribution (#1) of 6 cents per partly paid unit, following the distributions received by VPEG2A from the completion of Allegro II's sale of investee company Great Southern Rail.

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

As demonstrated, VPEG2B's NAV decreased during the quarter from \$1.077 to \$1.008 per unit, primarily due to the 7.88 cents per unit distribution made to all unitholders of VPEG2B in December following the distributions received by VPEG2B from the completion of Allegro II's sale of investee company Great Southern Rail.

Note; Total Private Equity commitments assumes an AUD:NZ exchange rate of 1.1 for the VPEG2 Commitment of NZ\$4m to Waterman Fund 3 and 1.04 for NZ\$2m Commitment to Pencarrow Bridge Fund.

Month Ending	VPEG2A Paid Capital / Partly Paid Unit (\$)	VPEG2A NAV / Partly Paid Unit (\$)
31-Dec-16	0.41	0.360
30-Nov-16	0.30	0.300
31-Oct-16	0.30	0.304
30-Sep-16	0.30	0.304

Month Ending	VPEG2B NAV / Fully Paid Unit (\$)
31-Dec-16	1.008
30-Nov-16	0.997
31-Oct-16	1.079
30-Sep-16	1.077

Key Portfolio Developments

During the December 2016 quarter, VPEG2 made one new investment commitment and also added four new and 3 bolt on / follow investments to its investment portfolio.

In November 2016, VPEG2 committed NZ\$2m to the Pencarrow Bridge Fund, managed by Wellington, New Zealand based, private equity small to mid-market specialist, Pencarrow Private Equity.

VPEG2 also continued to grow its underlying Private Equity portfolio, during the quarter, with four new investments added to the portfolio, one bolt-on acquisition and two follow-on investments into existing underlying portfolio companies completed.

Draw downs during the quarter from VPEG2, totaling **\$2,535,010** were made to **Next Capital III** (Next III), **Mercury Capital 2** ('Mercury 2'), **Waterman Fund 3** ('Waterman 3'), **Pencarrow Bridge Fund** ('Pencarrow') and **Allegro Fund II** ('Allegro II').

The majority of these draw downs were used to fund VPEG2's share of three new underlying portfolio company acquisitions and one bolt on acquisition. These included **Waterman 3's** investment in **My Food Bag**, **Pencarrow's** investment in **MMC Ltd**, **Next III's** investment in **Funlab** and **Mercury 2's** bolt on acquisition of **Southbank Day Surgeries** to its existing investment in **Nexus Day Hospitals**. The remaining draw downs funded **Allegro II's** follow on investment in **Carpet Court NZ**, **Next III's** follow on investment in **Forest Coach Lines** and VPEG 2's share of December quarter working capital expenditure (i.e. underlying fund costs and management fees).

In addition, during December 2016, VPEG2 investee **Allegro II** announced it had acquired the mine production and specialist drilling services business **JSW Australia**. VPEG2's share of this investment was funded to Allegro II in early February 2017.

"During the December 2016 quarter VPEG2 made distributions to unitholders after receiving dividends and proceeds from the sale of Allegro II investee company Great Southern Rail."

Key Portfolio Developments (Continued)

Also during the quarter, VPEG2 received distributions totaling **\$3,027,070** (including franking credits). The majority of the distributions received were VPEG2's share of the sale proceeds from **Allegro II's** exit of investee company, **Great Southern Rail**. The remaining distributions received during the quarter were from **CHAMP IV**, following the completion of a subsequent close, resulting in an increase in the total committed capital of that fund.

As reported in the September quarter, VPEG2 investee **Allegro II** announced that Quadrant Private Equity had entered into an agreement to acquire Allegro II portfolio company, **Great Southern Rail ('GSR')**. The sale agreement provided Allegro II the opportunity to retain a share in the ultimate entity that purchased GSR, Experience Australia. Allegro confirmed the completion of this co-investment in late December 2016.

With five investments completed by Allegro II, four by Next III and two by each of Mercury 2 and CHAMP IV and one by each of Waterman 3 and Pencarrow Bridge Fund, the total number of underlying Private Equity company investments completed within VPEG2's portfolio as at 31 December 2016 was fifteen.

OVERVIEW OF NEW INVESTMENT COMMITMENTS

Pencarrow Bridge Fund



Pencarrow Bridge Fund is a NZ\$80 Million small-mid market expansion and buyout fund, managed by Wellington, New Zealand headquartered Pencarrow Private Equity. The Bridge Fund is designed to be a concentrated portfolio across two to four investments to ensure opportunities are captured while Pencarrow prepare for the launch of their next fund, Pencarrow V in 2017.

Pencarrow is the longest established private equity manager in New Zealand. Since 1993 they have invested more than \$300 million of equity capital into 31 companies.

Pencarrow has a long established focus on Management Buyouts (MBO's), expansion capital and replacement capital investments in businesses with enterprise values in the range of NZ\$20 million to NZ\$100 million that have strong management teams, attractive positions in their markets and the opportunity to create significant value.

The Pencarrow Bridge Fund has completed one investment to date, MMC Ltd.

OVERVIEW OF NEW INVESTMENTS

MMC Ltd – Pencarrow Bridge Fund



In November 2016, Pencarrow Bridge Fund acquired 50% of MMC, a leading New Zealand fund and investment administration business. MMC was incorporated in 2002 by founders Robert Moss and Tom Reiher and has experienced significant growth since then, from its core service offerings of fund accounting and unit pricing.

The company uses an internally developed technology platform that is adaptable for regulatory changes, new services and organic growth into new geographic regions. As a result of its quality service offering MMC has achieved high client retention rates whereby it currently services 26 clients (including BT Funds Management New Zealand & Westpac) with over NZ\$27.5 billion of client's funds under administration.

My Food Bag – Waterman Fund 3



On 22 November 2016, Waterman 3 acquired a majority shareholding in market leading home food delivery provider, My Food Bag.

My Food Bag is the clear market leader in this niche area of the grocery industry and was the first meal-kit business to launch in New Zealand. The company was established in 2012 by Celcilia Robinson, Theresa Gattung and MasterChef winner Nadia Lim and has since grown to become a household name in New Zealand.

The product and service offering includes delivery of meal ingredients and recipes aimed at resolving the daily dilemma of "what are we having for dinner tonight?" My Food Bag's success is attributed to an environment where people are increasingly time-poor and health conscious. The company currently delivers more than one million meals to New Zealander's each month across a customer base of over 50,000 households.

My Food Bag also won the rising star award in 2014 at the Deloitte Fast 50, which recognises New Zealand's fastest-growing companies under 3 years old.

OVERVIEW OF NEW INVESTMENTS (Continued)

Funlab – Next Capital III



On 15 December 2016, Next Capital III completed the acquisition of a controlling interest in Funlab. Funlab creates, develops and operates out-of-home entertainment and leisure venues. At the time of acquisition the business serviced over 3 million customers per annum, across 17 locations on Australia's eastern seaboard across three concepts:

- 1) Strike Bowling bars: 12 venues including escape rooms, laser tag, karaoke, pool and a licenced bar and kitchen
- 2) Sky Zone indoor trampoline parks in four venues under a franchise agreement with a US franchisor; and
- 3) Holey Moley: Australia's first putt putt mini-golf with full service licenced bar. (A new concept in Australia with no competitors to date and is highly popular overseas, particularly in the UK).

The out-of-home leisure and entertainment industry is benefitting from a global trend where consumers are spending more of their disposable income on experiences and less on goods.

JSW Australia—Allegro Fund II



On 9th December 2016, Allegro Fund II acquired the mine production and specialist drilling services business of JSW Australia Pty Ltd ('JSW'). JSW was a profitable subsidiary of distressed parent Hughes Drilling Limited that went into Administration in September 2016.

JSW commenced operations in 2010 and is one of Australia's largest drilling companies based in Perth, Western Australia with branches in Kalgoorlie, Port Hedland and Boddington. JSW has a broad commodity exposure and long term relationships with tier 1 customers in mining, government and private enterprise. The company has access to over 50 drill rigs and provides highly specialised services including production drilling, blasting, mineral drilling, water wells and other services to clients such as Rio Tinto, BHP, Nickel West, Fortescue Metals Group, South32 and Regis Resources.

The company is also an Enterprise Registered Training Organisation and has accreditation to provide nationally accredited training to its approximately 140 staff and was also recognised at the WA Training Initiative awards for outstanding achievements in training in 2015.

GREAT SOUTHERN RAIL



JOURNEY BEYOND

Experience Australia – Allegro Fund II

On 15 September 2016, Allegro II announced that funds managed by Quadrant Private Equity had entered into an agreement to acquire a majority stake in Great Southern Rail ('GSR'). As reported last quarter, the sale agreement also provided Allegro II the opportunity to retain a share in the ultimate entity purchasing GSR, Experience Australia. During December 2016, Allegro II reached financial close on the sale of GSR and the simultaneous investment in Experience Australia.

Experience Australia is an experiential tourism business backed by Quadrant Private Equity, of which GSR was the foundation investment and cornerstone asset.

Following the GSR acquisition, Experience Australia also acquired Cruise Whitsundays and Rottness Express, two ferry businesses providing tourism services with strong strategic positions across their operational routes.



PORTFOLIO STRUCTURE

VPEG2's Portfolio Structure – 31 December 2016

The tables and charts below provide information on the breakdown of VPEG2's investments as at 31 December 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.

“During the December quarter, VPEG2 investees acquired four new underlying company investments and now ultimately holds interests in fifteen underlying company investments as at 31 December 2016.”

VPEG2A			
Cash	Fixed Interest	Private Equity	
0.2%	25.4%	Later Expansion	19.5%
		Buyout	55.0%

VPEG2B			
Cash	Fixed Interest	Private Equity	
0.5%	70.5%	Later Expansion	4.4%
		Buyout	24.6%

Private Equity Portfolio

VPEG2, with commitments to six Private Equity funds, ultimately held interests in fifteen underlying company investments at quarter end. The exit of GSR is now reflected below as the transaction was finalised in October 2016. As a result, VPEG2's Private Equity portfolio and commitments, as at 31 December 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	\$2.68m	\$0.89m	4	0
Allegro Fund II	\$180m	2014	Small to Mid Market Expansion / Buyout	\$4.0m	\$2.0m	\$1.03m	\$0.52m	5	1
Mercury Capital Fund 2	\$300m	2015	Small to Mid Market Expansion / Buyout	\$3.8m	\$1.2m	\$1.29m	\$0.41m	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	\$0.60m	\$0.19m	1	0
Pencarrow Bridge Fund	NZ\$80m	2016	Small to Mid Market Expansion / Buyout	NZ\$1.5m	NZ\$0.5m	\$0.37m	\$0.12m	1	0
			Total (** / ***)	\$24m	\$8.6m	\$7.32m	\$2.57m	15	1

* Target Fund Size

** Assumes AUD/ NZD exchange rate of 1.1 for Waterman 3

***: Assumes AUD/ NZD exchange rate of 1.04 for Pencarrow

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 31 December 2016.

Rank	Investment	Fund	Description	% of VPEG2's Private Equity Investments	Cumulative %
1	Lynch Group	Next Capital III	Flower and potted plant operator	10.9%	10.9%
2	Infinite Aged Care	Next Capital III	Aged care operator and developer	10.7%	21.6%
3	Pepperstone	CHAMP IV	Online retail investment platform	9.9%	31.5%
4	Funlab	Allegro Fund II	Developer & Operator of Entertainment & Leisure Venues	9.8%	41.3%
5	Nexus Day Hospitals	Mercury Capital 2	Day hospital owner and operator	8.8%	50.1%
6	My Food Bag	Waterman Fund 3	Home food delivery provider	7.5%	57.6%
7	Experience Australia (Rollover of residual investment in Great Southern Rail)	Allegro Fund II	Owner and Operator of Australian Tourism Assets	7.3%	64.9%
8	Forest Coach Lines	Next Capital III	Urban bus fleet owner and operator	6.6%	71.5%
9	Hexagon	Mercury Capital 2	Label manufacturer	5.6%	77.1%
10	Containerchain	CHAMP IV	Container logistics software provider	5.5%	82.6%

Industry Spread of VPEG2's Underlying Investments

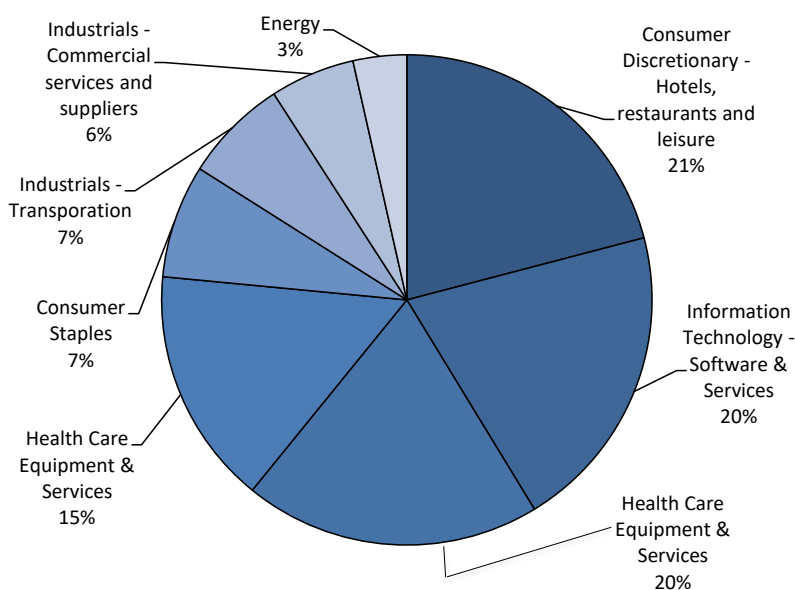
The investment in My Food Bag by VPEG2 investee Waterman 3 increased VPEG2's exposure to the "Consumer Staples" sector from 0% to 7%.

The investment in JSW Australia by VPEG2 investee Allegro II increased VPEG2's exposure to the "Energy" sector from 0% to 3%.

The decrease in the exposure to "Consumer Discretionary—Hotels, Restaurants and Leisure" from 37% to 21% is the result of the exit of Allegro Fund II investee GSR which was offset by the participation of Allegro II in Experience Australia and the acquisition of Funlab by Next Capital III each occupying the same industry sector.

The investment in MMC Ltd, by VPEG2 investee Pencarrow Bridge Fund resulted in VPEG2's exposure to the "Information Technology—Software & Services" sector to be 20%. All remaining sectors had minor proportionate changes to their exposure due to the impact of the aforementioned acquisitions and exit.

The "Consumer Discretionary—Hotels, Restaurants and Leisure" sector represents VPEG2's largest industry exposure at 21% as at 31 December 2016.



VPEG3 COMPLETES \$20M FIRST CLOSE

Vantage Private Equity Growth 3 (VPEG3) successfully completed its First Close on 16 January 2017 with 75 investors committing approximately \$20m of capital to the Fund, allowing VPEG3 to commence its investment program.

VPEG3 is now scheduled to make its first investment commitment during the March 2017 quarter, to a mid-market focused, expansion / buyout fund managed by a highly experienced, top quartile performing, Australian domiciled, private equity fund manager.

With a target raise of \$100m, VPEG3 currently remains open for new investors to participate, with month-end closes planned until the target fund size is reached.

VPEG3 will continue with the same successful investment strategy of its predecessor funds, VPEG & VPEG2 and is focused exclusively on investing in the strongest performing, small to mid-market, expansion & buyout segment of private equity in Australia and New Zealand.

In addition, several enhancements have been made to the structure of VPEG3 to improve after tax returns to investors.

Key enhancements include;

- *Superior Tax Effective Structure*; Full flow through of all tax components to each investor, including income, dividends, franking credits & capital gains, which is then only taxed at the investors marginal rate.
- *Regular Income*; The total investment of investors committing less than \$1m, will be deposited into a Cash Management Trust (CMT), with capital only called by VPEG3 from the CMT when VPEG3's underlying investments are made, allowing for the net interest income of the CMT to be distributed to investors each year.
- *Incremental Calls on Committed Capital*; Large investors committing at least \$1m, receive incremental calls on their committed capital by VPEG3, only when underlying companies are purchased, allowing investors to retain their committed capital until it is called, delivering a pure private equity return on investment.
- *Enhanced Deployment of Capital*; Primary & Secondary Private Equity fund investments as well as co-investments provides VPEG3 with additional diversification and faster deployment of capital into underlying private equity companies, leading to earlier divestments & distributions to investors and a shorter investment timeframe;
- *Improved Cash flows*; Distributions paid to investors immediately following receipt from underlying funds, enhances the cash flow as well as the ultimate IRR to investors;
- *Redemption*; Opportunity to redeem investment in VPEG3 after 4 years;
- *Online Application Process*; Applications to invest in VPEG3 can be lodged online at <http://vpeg3.info/invest-now/>. This streamlined online process removes the requirement to post any documentation for the majority of applicants.

To learn more please visit www.vpeg3.info or request further information by emailing info@vantageasset.com or call Vantage on +61 2 8211 0477.

CONTACT DETAILS

Vantage Private Equity Growth 2 (Trusts A & B)

Level 25, Aurora Place
88 Phillip Street
Sydney NSW, 2000 Australia
Email: investor@vantageasset.com
Internet: www.vpeg2.info

Trustee & Investment Manager

Vantage Asset Management Pty Limited
Managing Director - Michael Tobin
Phone: +612 8211 0477
Fax: +612 8211 0555
Email: investor@vantageasset.com
Internet: www.vantageasset.com