

Vantage Private Equity Growth 2

Quarterly Investor Report — Quarter Ended 30 June 2017



Special points of interest:

- Allegro Fund II completes the acquisition of Terrex Group, Australia's leading onshore seismic surveyor providing seismic acquisition services, GPS surveying & geophysical processing services to the oil and gas, minerals and government geoscience research sectors.
- Adamantem Capital Fund 1 completes the acquisition of Heritage Lifecare, a New Zealand aged-care and retirement village operator with 969 beds and 320 living units under management across 19 facilities.
- Improvements in value across VPEG2's underlying Private Equity portfolio, increases VPEG2A's NAV by 10.4% and VPEG2B's NAV by 4%, across the quarter.

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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 \$50.7m¹ of commitments across eight Private Equity funds who in turn hold interests in 22 underlying company investments. As at 30 June 2017, VPEG2's investment commitments include; \$10m to Adamantem Capital Fund 1; \$8m to each of CHAMP IV, Next Capital Fund III and Odyssey Private Equity Fund 8; \$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 average AUD / NZ exchange rate 1.07 for VPEG2's investment commitments to Waterman Fund 3 & the 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 April 2017 to 30 June 2017 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. The number of investments added is set to continue with fund managers actively considering several investment opportunities.

No exits were announced or completed during the quarter.

During the June quarter, six capital calls were made on VPEG2, by underlying funds with the majority of these calls required to fund additional working capital requirements of underlying funds. One call was also required to fund the acquisition of new underlying private equity company investment.

The first table to the right provides a summary of the performance of VPEG2A's portfolio during the June 2017 quarter. As demonstrated, VPEG2A's Net Asset Value (NAV) increased by 24% across the quarter, from \$0.365 per partly paid unit at 31 March 2017 to \$0.453 per partly paid unit at 30 June 2017. **The increase in VPEG2A's NAV during the quarter** resulted predominately from an increase in the value of VPEG2's underlying company investments across the quarter, **delivering a 10.4% uplift in value**, as well as an additional call of capital from unitholders, of \$0.05 per partly paid unit, received by VPEG2A during May 2017.

The second table to the right provides a summary of the performance of VPEG2B's NAV per unit during the June 2017 quarter.

As demonstrated, **VPEG2B's NAV increased by 4%** during the quarter from \$1.018 to \$1.058 per unit, primarily due to an increase in the value of VPEG2's underlying company investments across the quarter.

Month Ending	VPEG2A Paid Capital / Partly Paid Unit (\$)	VPEG2A NAV / Partly Paid Unit (\$)
30-Jun-17	0.46	0.453
31-May-17	0.46	0.411
30-Apr-17	0.41	0.362
31-Mar-17	0.41	0.365

Month Ending	VPEG2B NAV / Fully Paid Unit (\$)
30-Jun-17	1.058
31-May-17	1.016
30-Apr-17	1.016
31-Mar-17	1.018

Key Portfolio Developments

During the June 2017 quarter, VPEG2 continued to grow its underlying Private Equity portfolio with an increase in the Private Equity investment commitment made to an existing fund, as well as the addition of two new underlying company investments to the portfolio.

Draw downs during the quarter from VPEG2, totaling **\$802,907** were made to **Allegro Fund II** ('Allegro II'), **Adamantem Capital Fund 1** ('Adamantem 1'), **Next Capital Fund III** ('Next III') and **Odyssey Private Equity Fund 8** ('Odyssey 8') and **Waterman Capital Fund 3** ('Waterman 3').

The majority of these draw downs were used to fund VPEG2's share of new underlying company acquisitions completed during the quarter with the remaining capital called to fund additional working capital requirements of underlying funds.

In April 2017, **Allegro II** completed the acquisition of **Terrex Group**, a leading technology-focused seismic solutions provider to the resources industry.

During May 2017, VPEG2 committed an additional \$0.5m to Odyssey Private Equity Fund 8, increasing VPEG2's total commitments to that fund to \$8m.

Finally, in late June 2017, **Adamantem 1** completed the acquisition of Heritage Lifecare Limited, a New-Zealand aged care and retirement village operator.

The number of underlying company investments in VPEG2's portfolio is set to increase over the coming year with fund managers reporting solid pipelines of investment opportunities which are expected to lead to the completion of a number of new investments in the second half of this year.

"During the June 2017 quarter, VPEG2 received distributions from Allegro II and CHAMP IV, totaling \$150,289."

Key Portfolio Developments (Continued)

Also during the quarter, VPEG2 received distributions totaling **\$150,289** from Allegro II and CHAMP IV. The Allegro II distribution represented VPEG2's share of the remaining sale proceeds following adjustments to the completion of sale of Great Southern Rail. The remaining distributions received from CHAMP IV, were due to the payment of interest on loan notes by investee Pepperstone Group and other equalization payments made to CHAMP IV investors, including VPEG2, upon the final close of that fund.

With seven investments completed by Allegro II, five by Next III, four by CHAMP IV, two by each of Mercury 2 and Pencarrow Bridge Fund and one by each of Waterman 3 and Adamantem Capital Fund 1, the total number of underlying Private Equity company investments completed within VPEG2's portfolio as at 30 June 2017 was 22.

OVERVIEW OF NEW INVESTMENTS

Heritage Lifecare — Adamantem Capital Fund 1

During April 2017, Adamantem Capital Fund 1 entered into a binding agreement to acquire a majority shareholding of Wellington-based Heritage Lifecare Limited, a New-Zealand age-care and retirement village operator. Heritage Lifecare is known for its premium portfolio of properties and its strong operational focus on resident care.

Heritage Lifecare has 19 facilities with approximately 969 beds and 320 living units under management across the North and South islands of New Zealand.

The aged care sector in New Zealand is a highly fragmented market and with an ageing population, the industry is seen as offering attractive growth opportunities. These opportunities are attributed primarily to the mismatch between the forecast supply / demand for quality facilities and the New Zealand government's funding initiatives in the industry.

In late June 2017, the Heritage Lifecare investment received consent from the New Zealand Government, Overseas Investment Office, to the completion of the transaction, allowing Adamantem to assume control of Heritage Lifecare and commence the implementation of plans for the growth of the business.



Terrex Seismic — Allegro Fund II

During April 2017, VPEG2 investee Allegro II acquired a controlling interest in Terrex Seismic, Australia's leading onshore seismic surveyor.

Terrex Seismic is the dominant player in its industry providing cutting-edge seismic acquisition services, surveying and geophysical processing services to the global oil and gas, minerals and resource industries. Terrex has the largest seismic source fleet in Australia, utilising 2D, 3D and 4D seismic acquisition and processing technologies to accurately image complex subsurface geology.

Terrex founder and Executive Director Steve Tobin established the company over 30 years ago and has developed long-term customer relationships and a respected senior management team. As a result, Terrex is Australia's most experienced surface and subsurface earth imaging solutions provider with an unparalleled track record of successfully delivering high quality seismic programs.

Terrex has extensive seismic acquisition experience, having operated seismic crews in all major Australian onshore sedimentary basins as well as New Zealand, PNG and Iran. With over 900 successful onshore seismic surveys, Terrex provides services by maximising the value of each client's exploration budget, adhering to its core values of safe performance, high-quality data acquisition and value-for-money.

Allegro II's investment will be used to assist the company to capitalise on the resource sector's market recovery and enable the acquisition of new technology to provide its customers with the world's best-practice subsurface seismic imaging technology solutions across the resource industry.



PORTFOLIO STRUCTURE

VPEG2's Portfolio Structure – 30 June 2017

The tables and charts below provide information on the breakdown of VPEG2's investments as at 30 June 2017.

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	
5.2%	9.3%	Later Expansion	25.4%
		Buyout	60.1%

VPEG2B			
Cash	Fixed Interest	Private Equity	
2.5%	56.6%	Later Expansion	9.1%
		Buyout	31.8%

“During the June quarter, two new investments were added to VPEG2's portfolio, bringing the total of underlying company investments in the portfolio to 22 as at 30 June 2017.”

Private Equity Portfolio

VPEG2, with commitments to eight Private Equity funds, ultimately held interests in 22 underlying company investments at quarter end. As a result, VPEG2's Private Equity portfolio and commitments, as at 30 June 2017, 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	\$3.09m	\$1.03m	5	0
Allegro Fund II	\$180m	2014	Small to Mid Market Expansion / Buyout	\$4.0m	\$2.0m	\$2.26m	\$1.13m	7	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	\$735m	2016	Mid Market Buyout	\$6.0m	\$2.0m	\$2.09m	\$0.70m	4	0
Waterman Fund 3	NZ\$200m	2016	Small to Mid Market Expansion / Buyout	NZ\$3.0m	NZ\$1.0m	\$0.63m	\$0.20m	1	0
Pencarrow Bridge Fund	NZ\$80m	2016	Small to Mid Market Expansion / Buyout	NZ\$1.5m	NZ\$0.5m	\$0.70m	\$0.23m	2	0
Adamantem Capital Fund 1	\$600m*	2017	Mid Market Expansion / Buyout	\$7.6m	\$2.4m	\$0.05m	\$0.02m	1	0
Odyssey Fund 8	\$275m	2017	Mid Market Expansion / Buyout	\$6.0m	\$2m	\$0.06m	\$0.02m	0	0
Total **				\$37.6m	\$12.95m	\$10.18m	\$3.73m	22	1

* Target Fund Size

** Assumes AUD / NZD exchange rate of 1.07 for VPEG2's investment commitments to Waterman Fund 3 & the Pencarrow Bridge Fund.

PORTFOLIO STRUCTURE – continued

Summary of VPEG2's Underlying Private Equity Investments

The table below provides an overview of the top 10 underlying private equity investments within 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 2017.

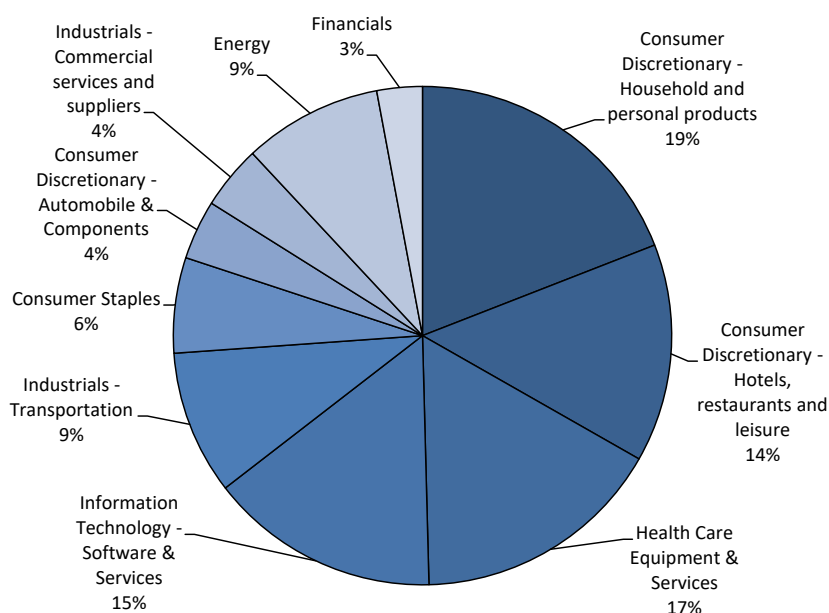
Rank	Investment	Fund	Description	% of VPEG2's Private Equity Investments	Cumulative %
1	Infinite Aged Care	Next Capital III	Aged care operator and developer	9.8%	9.8%
2	Lynch Group	Next Capital III	Flower and potted plant operator	8.5%	18.3%
3	Pepperstone	CHAMP IV	Online retail investment platform	8.4%	26.7%
4	Carpet Court NZ	Allegro Fund II	Carpet retailer	7.5%	34.2%
5	Funlab	Allegro Fund II	Developer & operator of entertainment & leisure venues	6.7%	41.0%
6	Nexus Day Hospitals	Mercury Capital 2	Day hospital owner and operator	6.5%	47.5%
7	Forest Coach Lines	Next Capital III	Urban bus fleet owner and operator	5.9%	53.3%
8	My Food Bag	Waterman Fund 3	Home food delivery provider	5.0%	58.4%
9	Terrex Seismic	Allegro Fund II	Seismic services provider	4.8%	63.2%
10	JSW Australia	Allegro Fund II	Mining Services provider	4.2%	67.4%

Industry Spread of VPEG2's Underlying Investments

The completion during the quarter of the Terrex Seismic investment by VPEG2 investee Allegro II increased VPEG2's exposure to the "Energy" sector from 4% to 9%.

Further movements in VPEG2's exposure to other industry sectors across the quarter, were caused by an increase in several underlying company valuations, which have been held for greater than 12 months within the portfolio. AVCAL Private Equity valuation methodology (adopted by VPEG2's underlying funds) allows for their underlying investments to be held at cost for a minimum of 12 months after acquisition. Hence, once they are revalued, an increase in their contribution to their respective industry sector occurs.

The "Consumer Discretionary—Household and Personal Products" sector currently represents VPEG2's largest industry exposure at 19% of the total Private Equity Portfolio as at 30 June 2017.



CONTACT DETAILS

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