

# VANTAGE PRIVATE EQUITY GROWTH 2

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VPEG2A & VPEG2B  
MARCH 2018 QUARTERLY  
REPORT

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## 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.

## SPECIAL POINTS OF INTEREST

ODYSSEY PRIVATE EQUITY FUND 8 ACQUIRES A CONTROLLING INTEREST IN AUSTRALIAN OUTDOOR LEISURE PRODUCTS BUSINESS, OZTRAIL

ADAMANTEM CAPITAL FUND 1 PORTFOLIO COMPANY, HERITAGE LIFECARE, DOUBLES THE NUMBER OF AGED CARE BEDS ACROSS ITS FACILITIES WITH AN ADDITIONAL THREE AGED CARE BUSINESS ACQUISITIONS COMPLETED AND ANNOUNCED DURING THE QUARTER

THE PENCARROW BRIDGE FUND ANNOUNCES AN INVESTMENT INTO LEADING MANUFACTURER AND DISTRIBUTOR OF GOURMET YOGHURT, THE COLLECTIVE

# 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 has made \$51.1m\* of commitments across eight Private Equity funds and completed one co-investment. As a result, VPEG2 has invested in 34 underlying company investments, with two exits completed to date. As at 31 March 2018, 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, NZ\$2m to Pencarrow Bridge Fund and a \$0.5m co-investment with Yorkway Partners in Fitzpatrick Financial Group.

\* Assumes an average AUD / NZ exchange rate 1.07 for VPEG2's investment commitments to Waterman Fund 3 & the Pencarrow Bridge Fund.

# PERFORMANCE

DURING THE PERIOD, TWO NEW INVESTMENTS WERE COMPLETED AND TWO BOLT ON ACQUISITIONS WERE ADDED TO AN EXISTING INVESTMENT WITHIN VPEG2'S PRIVATE EQUITY PORTFOLIO.

The period 1 January 2018 to 31 March 2018 saw continued growth in VPEG2's portfolio of Private Equity investments. During the period, two new investments were completed and two bolt on acquisitions were added to an existing investment within VPEG2's Private Equity portfolio. Another new investment and a further bolt on investment were also announced during the quarter, with both completed during April 2018.

During the March quarter, three capital calls were made on VPEG2, by underlying funds with the majority of these calls required to fund the acquisition of new underlying private equity company investments.

VPEG2 also received distributions in the form of dividends, interest and capital, from two underlying funds during the quarter, resulting from strong operational performance of companies within their portfolios. Unitholders in VPEG2A will receive their share of this distribution during the June 2018 quarter while VPEG2B unitholders received their share of this distribution in late March 2018.

The first table to the right provides a summary of the performance of VPEG2A's portfolio during the March 2018 quarter. As demonstrated, VPEG2A's Net Asset Value (NAV) increased from \$0.656 per partly paid unit at 31 December 2017 to \$0.680 per partly paid unit at 31 March 2018. The increase in NAV resulted from an uplift in the holding value of underlying portfolio companies across the quarter, due to an improvement in earnings of those companies. Paid Capital from VPEG2A unit holders remained at \$0.69 per partly paid unit across the quarter.

Month Ending	VPEG2A Paid Capital / Partly Paid Unit (\$)	VPEG2A NAV / Partly Paid Unit (\$)
31-Mar-18	0.69	0.680
28-Feb-18	0.69	0.664
31-Jan-18	0.69	0.666
31-Dec-17	0.69	0.656

The second table to the right provides a summary of the performance of VPEG2B's NAV per unit during the March 2018 quarter.

As demonstrated, VPEG2B's NAV decreased during the quarter from \$1.031 per unit to \$1.025 per unit. The reduction in NAV across the quarter resulted from the payment of \$0.0255 per unit distribution paid to Unit Holders during March 2018 resulting from the distribution received by VPEG2 during the quarter. As at 31 March 2018 total distributions that have been paid to VPEG2B unitholders were \$0.1503 per unit.

Month Ending	VPEG2B NAV / Fully Paid Unit (\$)
31-Mar-18	1.025
28-Feb-18	1.037
31-Jan-18	1.039
31-Dec-17	1.031

# KEY PORTFOLIO DEVELOPMENTS

THREE NEW INVESTMENTS COMPLETED / ANNOUNCED DURING THE QUARTER, BRINGING THE TOTAL OF UNDERLYING COMPANY INVESTMENTS IN VPEG2'S PORTFOLIO TO 34.

During the March 2018 quarter, VPEG2 continued to grow its underlying Private Equity portfolio with two new underlying company investments and two bolt-on investment completed during the quarter. One further new investment and another bolt on investment were also announced during the quarter and subsequently completed in early April 2018.

Draw downs during the quarter from VPEG2, totaling \$1,192,743 were made to Next Capital Fund III ('Next III') and Odyssey Private Equity Fund 8 ('Odyssey 8').

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

In January 2018, Next Capital Fund III completed the acquisition of Noisette Bakery, a Melbourne based artisanal commercial bakery. (Refer to the VPEG2 December 2017 Quarterly report for details)

Also during January 2018, Odyssey Private Equity Fund 8 completed the acquisition of Australian outdoor leisure products business, OZtrail.

In March 2018, The Pencarrow Bridge Fund announced an investment into leading manufacturer and distributor of gourmet yoghurt, Epicurean Dairy Holdings, branded as The Collective.

Finally, during the quarter, Adamantem Capital Fund 1 portfolio company Heritage Lifecare added to its portfolio of New Zealand aged care facilities with the bolt on acquisition of two additional aged care operations. One further acquisition of another aged care business was announced during the quarter and completed in early April 2018.

During the quarter, VPEG2 also received distributions totaling \$947,030 from underlying funds, CHAMP IV and Waterman Fund 3 resulting from strong operational performance of companies within their portfolios.

With eight investments completed by Allegro II, six by each of Next III and CHAMP IV, four by Mercury 2, three by each of Pencarrow and Waterman 3, two by Adamantem Capital Fund 1, one by Odyssey Private Equity Fund 8 and one co-investment in Fitzpatrick Financial Group, the total number of underlying Private Equity company investments completed within VPEG2's portfolio as at 31 March 2018 was 34.

# OVERVIEW OF NEW INVESTMENTS

## OZTRAIL - ODYSSEY PRIVATE EQUITY FUND 8



On 4 December 2017, LE Whittaker and Sons Pty Ltd (OZtrail) announced that its shareholders had reached an agreement to enter into a transaction with a consortium led by Odyssey Private Equity (Odyssey), Vanessa Garrard and Dr Glen Richards. As part of the transaction, Odyssey will acquire a controlling interest in the well known and loved, third - generation Australian outdoor leisure products business. The acquisition of OZtrail was completed during January 2018.

Founded in 1989, the Business has a strong track record of product innovation and growth through retailers both domestically and internationally, including in over 9 countries. Following the transaction, OZtrail will continue to operate out of its Brisbane Head Office located in the TradeCoast precinct.

Andrew Whittaker, General Manager of OZtrail said: "We are proud of what our team has achieved in building OZtrail into what it is today. We made this decision because Odyssey, Vanessa and Glen have demonstrated they are best aligned with our vision and we look forward to drawing on their industry experience and access to funding that will enable growth and opportunities for our extended OZtrail family of staff, suppliers, customers and consumers. We are looking forward to working with experienced operators who have contributed to the success of companies like Greencross Vets, Macpac, Petbarn and Lorna Jane. The Whittaker family involvement will also continue as I am staying with the business to help implement our exciting growth plans."

Paul Readdy, Partner at Odyssey Private Equity said: "This is a great chance for Odyssey to work with our new partners and apply our strong outdoor leisure product knowledge and experience. OZtrail has built up an impressive position in the industry and we are keen to invest further in the brand and the business."

Vanessa Garrard, Group CEO said: "We are delighted to be partnering with OZtrail, this partnership will bring the benefits of scale, strong market access and category expertise to help take the Business to the next level. We look forward to continuing to provide and expand on OZtrail's wide range of products catering for outdoor leisure enthusiasts".



## THE COLLECTIVE - THE PENCARROW BRIDGE FUND

During March 2018, the Pencarrow Bridge Fund announced an investment into premium gourmet yoghurt company, The Collective. The investment was completed during April 2018. Epicurean Dairy Holdings, branded as The Collective, is a leading manufacturer and distributor of gourmet yoghurt through the grocery channel.

Since its launch in 2010, The Collective's New Zealand business has grown rapidly, achieving strong sales and earnings growth. Following the company's initial domestic success, it launched into the UK through a joint-venture with UK dairy company Yeo Valley. The company's UK operations have been similarly successful, with strong sales growth across 2014 to 2018.

The Collective is positioned as a premium brand centred on high-quality fresh and natural ingredients. This proposition has resonated strongly with consumers in both the New Zealand and UK markets and has driven substantial growth in market share at the expense of larger dairy companies that have a lesser focus, real or perceived, on high quality ingredients.

In addition, the company has benefited from growth in the category in both New Zealand and the UK, given the products' on-trend attributes. Further, the company's commitment to new product development has allowed it to capitalise on trends in consumer demand while keeping the brand relevant and generating high levels of brand affinity and customer loyalty.

The proceeds of Pencarrow's investment into The Collective will be used to facilitate the purchase of shares of the UK Joint Venture company not already owned and to fund the company's expansion into Australia and Europe.

# PORTFOLIO STRUCTURE

## VPEG2's Portfolio Structure - 31 March 2018

The tables and charts below provide information on the breakdown of VPEG2's investments as at 31 March 2018.

### 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.

VPEG2A			
Cash	Fixed Interest	Private Equity	
3.4%	2.9%	Later Expansion	27.3%
		Buyout	66.4%

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.

VPEG2B			
Cash	Fixed Interest	Private Equity	
0.3%	32.7%	Later Expansion	20.2%
		Buyout	46.8%

### PRIVATE EQUITY PORTFOLIO

With commitments to eight Private Equity funds, VPEG2 had ultimately invested in 34 underlying companies, including one co-investment, with two exits completed, at quarter end. As a result, VPEG2's Private Equity portfolio and commitments, as at 31 March 2018, were as follows:

Private Equity Fund Name	Fund / Deal 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	\$3.77m	\$1.25m	6	1
Allegro Fund II	\$180m	2014	Small to Mid Market Expansion / Buyout	\$4.0m	\$2.0m	\$2.68m	\$1.34m	8	1
Mercury Capital Fund 2	\$300m	2015	Small to Mid Market Expansion / Buyout	\$3.8m	\$1.2m	\$2.09m	\$0.66m	4	0
CHAMP IV	\$735m	2016	Mid Market Buyout	\$6.0m	\$2.0m	\$3.42m	\$1.14m	6	0
Waterman Fund 3	NZ\$200m	2016	Small to Mid Market Expansion / Buyout	NZ\$3.0m	NZ\$1.0m	\$1.35m	\$0.43m	3	0
Pencarrow Bridge Fund	NZ\$80m	2016	Small to Mid Market Expansion / Buyout	NZ\$1.5m	NZ\$0.5m	\$0.92m	\$0.30m	3	0
Adamantem Capital Fund 1	\$608m	2017	Mid Market Expansion / Buyout	\$7.6m	\$2.4m	\$1.85m	\$0.59m	2	0
Odyssey Fund 8	\$275m	2017	Mid Market Expansion / Buyout	\$6.0m	\$2.0m	\$0.90m	\$0.30m	1	0
Co-Invest 1 (Fitzpatricks Financial Group)	\$200m	2017	Mid Market Expansion	\$0.4m	\$0.1m	\$0.40m	\$0.13m	1	0
<b>Total</b>				<b>\$38.0m</b>	<b>\$13.1m</b>	<b>\$17.38m</b>	<b>\$6.13m</b>	<b>34</b>	<b>2</b>



# PRIVATE EQUITY PORTFOLIO

## Summary of VPEG2's Underlying Private Equity Portfolio 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 31 March 2018.

Rank	Investment	Fund	Description	% of VPEG2's Private Equity Investments	Cumulative %
1	Pepperstone	CHAMP IV	Futures Trading Investment Platform	8.1%	8.1%
2	Lynch Group	Next Capital III	Flower and Potted Plant Operator	5.9%	14.0%
3	Funlab	Next Capital III	Developer & Operator of Entertainment & Leisure Venues	5.9%	19.9%
4	Hygain Holdings Pty Ltd	Adamantem 1	Premium Horse Feed Manufacturer & Distributor	5.1%	25.0%
5	Carpet Court NZ	Allegro Fund II	Carpet Retailer	4.3%	29.3%
6	OZtrail	Odyssey 8	Leading outdoor equipment brand	4.3%	33.5%
7	Heritage Lifecare Ltd	Adamantem 1	New Zealand Age-care & Retirement Village Operator	4.0%	37.6%
8	Forest Coach Lines	Next Capital III	Urban Bus Fleet Owner & Operator	3.9%	41.5%
9	Nexus Day Hospitals	Mercury Capital 2	Day Hospital Owner & Operator	3.9%	45.4%
10	Dutton Group	CHAMP IV	Wholesaler of New & Used Prestige Vehicles	3.9%	49.3%

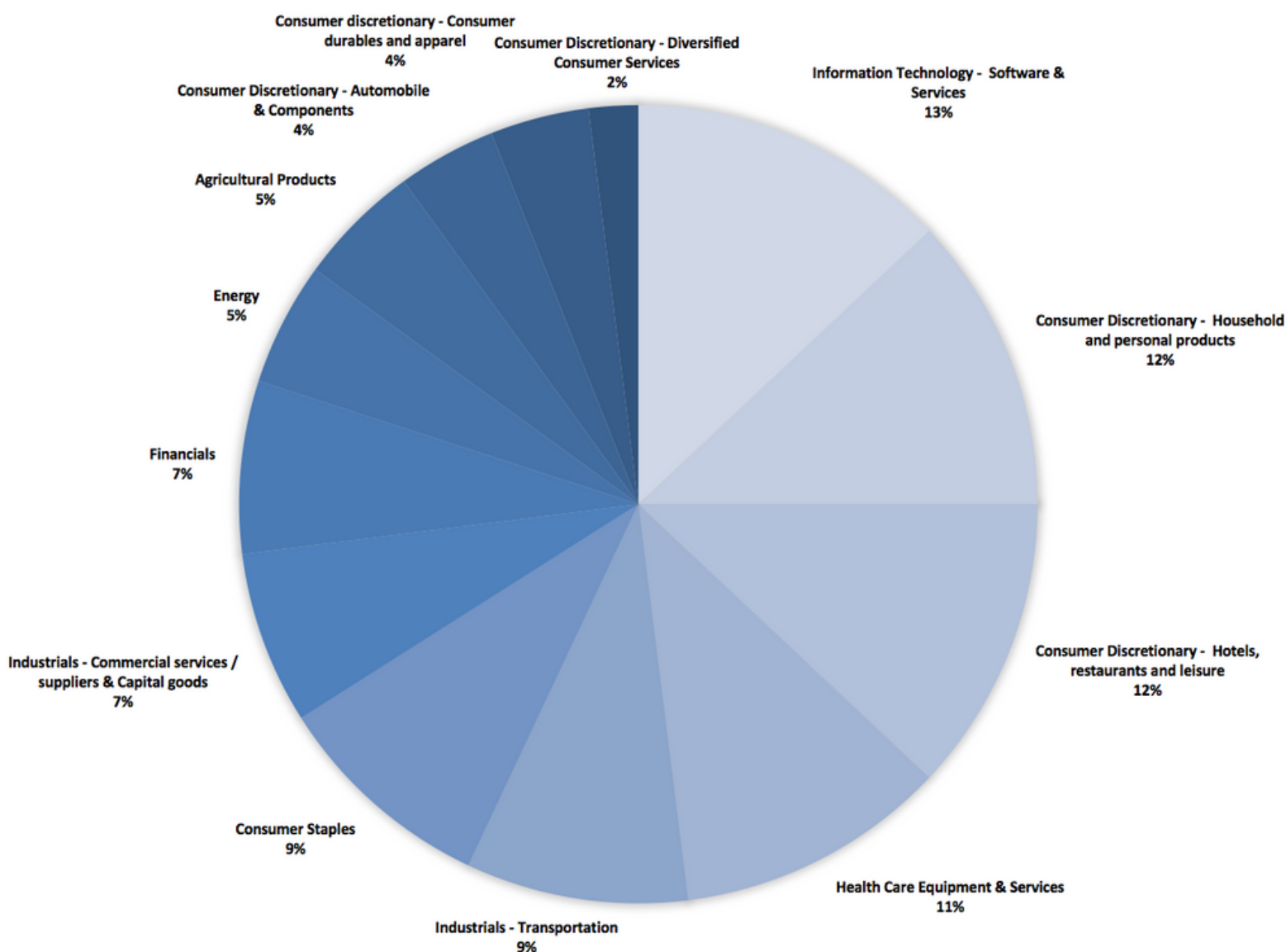
# PRIVATE EQUITY PORTFOLIO (CONTINUED)

## INDUSTRY SPREAD OF VPEG2'S UNDERLYING INVESTMENTS

The completion of the investment in OZtrail by VPEG2 investee, Odyssey Private Equity Fund 8, increased VPEG3's exposure to "Consumer Discretionary— Consumer Durables & Apparel" sector from 0% to 4%.

VPEG2's Private Equity portfolio is now diversified across thirteen different industry sectors.

The "Information technology - Software & Services" sector is currently VPEG2's largest industry sector exposure, representing 13% of the total Private Equity portfolio as at 31 March 2018.



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