

VANTAGE PRIVATE EQUITY GROWTH 2

—
VPEG2A & VPEG2B
QUARTERLY REPORT
31 DECEMBER 2018

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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

VPEG2 OUTPERFORMS ALL MAJOR ASSET CLASSES ACROSS 2018, INCLUDING PUBLIC EQUITY, BONDS, PROPERTY AND CASH

VPEG2A DELIVERS A 29.6% NET RETURN, FOR THE FULL YEAR ENDED 31 DECEMBER 2018 WITH A NET IRR SINCE INCEPTION OF 17.1% P.A.

VPEG2B DELIVERS A 18.4% NET RETURN FOR THE FULL YEAR ENDED 31 DECEMBER 2018

MERCURY CAPITAL COMPLETES THE ACQUISITION OF FIFTYFIVE5 AND GALKAL, CREATING AUSTRALIA'S LARGEST LEADING INDEPENDENT CUSTOMER AND MARKET RESEARCH CONSULTANCY FIRM.

WATERMAN CAPITAL ACQUIRES TRG IMAGING, THE LARGEST PROVIDER OF RADIOLOGY SERVICES IN NEW ZEALAND'S NORTH ISLAND

ADAMANTEM CAPITAL COMPLETES THE 'PUBLIC TO PRIVATE' ACQUISITION OF ASX LISTED ZENITAS HEALTHCARE LIMITED, A COMMUNITY-BASED HEALTHCARE PROVIDER SPECIALISING IN THE PROVISION OF IN-HOME AND IN-CLINIC CARE SOLUTIONS

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 44 underlying company investments, with three exits completed to date. As at 31 December 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 Fitzpatrick Financial Group.

* Assumes an average AUD / NZ exchange rate 1.1 for VPEG2's investment commitments to Waterman Fund 3 & the Pencarrow Bridge Fund.

PERFORMANCE

The period 1 October 2018 to 31 December 2018 saw continued growth in VPEG2's portfolio of Private Equity investments.

During the period, three new investments were completed and one bolt on acquisition was added to an existing investment within VPEG2's Private Equity portfolio.

Strong underlying portfolio company performance across the second half of 2018 contributed to VPEG2 outperforming the majority of other asset classes across the 2018 calendar year. For the period 1 January 2018 to 31 December 2018 VPEG2A and VPEG2B delivered gains of 29.6% and 18.4% respectively net of all fees. This generated an internal rate of return (IRR) for VPEG2A Unit Holders of 17.1%p.a., since the final close of the fund in May 2015, which represents a global top quartile return within the Private Equity asset class.

The table below compares the 2018 investment returns of VPEG2 fund entities against a basket of major Australian and Global Asset Classes.

As demonstrated in the table, both VPEG2A and VPEG2B significantly outperformed all major asset classes across 2018.

The table also demonstrates the benefit of including a diversified Private Equity investment such as a Vantage Private Equity Growth fund, within a balanced investment portfolio, to enhance returns when major asset classes are experiencing periods of volatility such as those experienced across 2018 for the majority of asset classes.

VPEG2 & Major Asset Classes – One Year Performance Summary to 31 December 2018	
Fund / Asset Class	1 Yr Return
VPEG2A	29.6%
VPEG2B	18.4%
Australian Shares	-3.1%
International Shares (Hedged)	-7.5%
Australian Listed Property (A- REITs)	3.3%
Global Listed Property (REITs)	-4.0%
Unlisted Property	8.8%
Australian Bonds	4.5%
Cash	1.9%

Note: VPEG2A and VPEG2B returns are net of all fees. All other Asset Class returns are pre fees (i.e. gross returns)

Source of 1 yr Asset Class Returns: Chant West, 17 January 2019 media release

PERFORMANCE_{cont.}

During the December quarter, eight capital calls were made on VPEG2, by underlying funds with the majority of these calls required to fund the acquisition of new investee companies and additional funding utilised for follow-on investments including the bolt on acquisition.

VPEG2 also received distributions from three underlying funds during the quarter the majority of which resulted from the completion of the sale of one underlying company with additional distributions received in the form of dividends and interest from another two underlying Private Equity investments.

The table to the right provides a summary of the performance of VPEG2A's portfolio during the December 2018 quarter. As demonstrated, VPEG2A's Net Asset Value (NAV) increased by 15.1% across the quarter from \$0.921 per partly paid unit at 30 September 2018 to \$1.060 per partly paid unit at 31 December 2018. A portion of the increase in NAV resulted from the payment of an additional \$0.06 per partly paid unit by all VPEG2A unitholders, during December 2018, following the issue of Call Notice No. 15. The remainder of the increase in NAV across the quarter, which equated to 8.6% net of fees, resulted from an increase in the holding value of a number of underlying companies at 31 December 2018, due to an improvement in earnings of those companies across 2018.

Month Ending	VPEG2A Paid Capital / Partly Paid Unit (\$)	VPEG2A NAV / Partly Paid Unit (\$)
31-Dec-18	0.925	1.060
30-Nov-18	0.865	0.948
31-Oct-18	0.865	0.923
30-Sep-18	0.865	0.921

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

As demonstrated, VPEG2B's NAV increased by 7.8% from \$1.109 per unit to \$1.195 per unit across the December 2018 quarter. The increase in NAV across the quarter, resulted from an increase in the holding value of a number of underlying companies at 31 December 2018, due to an improvement in earnings of those companies across 2018.

Month Ending	VPEG2B NAV / Fully Paid Unit (\$)
31-Dec-18	1.195
30-Nov-18	1.140
31-Oct-18	1.118
30-Sep-18	1.109

KEY PORTFOLIO DEVELOPMENTS

During the December 2018 quarter, VPEG2 continued to grow its underlying Private Equity portfolio with three new underlying company investments and one additional bolt-on investment completed.

Draw-downs during the quarter from VPEG2, totalling \$2,779,481 were paid to Adamantem Capital Fund 1 (Adamantem 1), Allegro Fund II (Allegro II), Mercury Capital Fund 2 (Mercury 2), Next Capital Fund III (Next III), Odyssey Private Equity Fund 8 (Odyssey 8), Waterman Fund 3 (Waterman 3) and the Yorkway Investment Trust for managing the Fitzpatrick Financial Group Co-investment.

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

In November 2018, Mercury 2 completed the acquisition of Fiftyfive5 and GalKal, which merged to become Australia's largest leading independent customer and market research consultancy firm.

In December 2018, Waterman 3 completed an investment into TRG Imaging, the largest provider of radiology services in New Zealand's North Island.

Also in December 2018, Adamantem 1 investee Hygain Holdings completed the bolt on acquisition of Mitavite, which will see two of Australia's premium horse feed brands come together to establish a platform in the domestic market and expand their global export business.

Finally, during December 2018, Adamantem 1, in consortium with Liverpool Partners, acquired 100% of the shares of ASX listed Zenitas Healthcare Limited, by way of a scheme of arrangement. Zenitas Healthcare is a community-based healthcare provider specialising in the provision of in-home and in-clinic care solutions to reduce the reliance on high cost acute and post-acute institutional care.

During the quarter, VPEG2 received distributions totalling \$2,036,925 from underlying funds, Next III, CHAMP IV and Mercury 2. The majority of distributions received, resulted from the completion of the sale of Next III investee company, Forest Coach Lines, as reported in the VPEG2 September 2018 quarter report. A distribution was also received following the partial exit of CHAMP IV investee company Pepperstone. Finally, the distribution received from Mercury 2, resulted from the debt recapitalisation of investee company Hexagon, which delivered a fully imputed ordinary dividend to VPEG2.

With eight investments completed by Allegro II and CHAMP IV, seven by Next III, six by Mercury 2, four by Pencarrow Bridge Fund, Waterman 3 and Adamantem Capital Fund 1, two by Odyssey Private Equity Fund 8 and one co-investment, the total number of underlying Private Equity company investments completed within VPEG2's portfolio as at 31 December 2018 was 44. In Addition, three company investments have now been exited from the underlying portfolio.

OVERVIEW OF NEW INVESTMENTS



FIFTYFIVE5 & GALKAL – MERCURY CAPITAL FUND 2

On 29 November 2018, Mercury Capital Fund 2 Completed the investment and merger of FiftyFive5 and GalKal creating Australia’s largest independent customer insights and market research firm.

The combined business has offices in Sydney, Melbourne, Auckland and Singapore, with more than 150 clients across 40 countries serving multiple industries including; financial services, telecommunications, FMCG, media and entertainment, social and government and healthcare.

Philosophically and culturally aligned, Fiftyfive5 and GalKal combined will offer current and new clients a business with scale, proven processes and offers to deliver commercially impactful customer insights, across a broader geographic reach, with deep expertise and the best talent in the industry.

The current leadership of both businesses will continue to drive the new combined entity. Brent Wallace, Co-founder of GalKal, said: “These two successful businesses are stronger together and offer clients unparalleled expertise in insight-driven strategies.”

Mercury Capital said the fund decided to invest in the combined business as it was attracted to the strong growth profile, the high quality teams, the long term client relationships and the opportunity to support the business continue to grow via a number of exciting initiatives.

TRG IMAGING – WATERMAN CAPITAL FUND 3



In December 2018, Waterman Capital Fund 3 completed their fourth Private Equity investment into TRG Imaging, Zealand’s largest provider of radiology services. Established in 2004, TRG Imaging is a leading provider of diagnostic imaging services, comprising of 19 clinics across the North Island and the Auckland Breast Centre, New Zealand’s leading provider of breast cancer related services. It is the second largest diagnostic imaging provider in New Zealand and is the largest in the North Island.

TRG plays a critical role in New Zealand’s health infrastructure with diagnostic imaging increasingly being used as a preventative tool in the early identification and treatment of health issues. The health sector benefits from a strong outlook as population growth, particularly in Auckland, an ageing population and demand for increasingly sophisticated diagnostic solutions drive annual increases in the provision of patient services.

ZENITAS HEALTHCARE - ADAMANTEM CAPITAL FUND 1



During December 2018, Adamantem Capital Fund 1, in consortium with Liverpool Partners, acquired 100% of the shares of ASX listed Zenitas Healthcare Limited, by way of a scheme of arrangement. Following scheme approval by 99.2% of Zenitas shareholders during November 2018, the shares of Zenitas ceased to trade on the ASX from 13 December 2018.

Zenitas Healthcare is a community-based healthcare provider specialising in the provision of in-home and in-clinic care solutions to reduce the reliance on high cost acute and post-acute institutional care.

Healthcare services are shifting away from hospitals and other institutional care providers to community-based providers. With this sharp focus on quality care and costs, Zenitas is well positioned to take advantage of this transition through economies of scale and capacity with its 2,000+ workforce.

OVERVIEW OF NEW BOLT-ON ACQUISITION

MITAVITE - ADAMANTEM CAPITAL FUND 1



On 22 August 2018 Adamantem Capital announced that portfolio company Hygain Holdings had entered into an agreement to acquire the Mitavite business from the Ingham's Group. The deal will see two of Australia's premium horse feed brands come together to establish a solid platform in the domestic market and expand its global export business.

The acquisition of the Mitavite assets, completed during the December quarter, will allow Hygain to accelerate a number of strategic initiatives including the capacity to gain better access to horse owners across Australia and to a broader range of market segments. The acquisition also offers the opportunity for Hygain to operate a more efficient and larger business that has the capacity to grow both domestically and into new export markets.

PORTFOLIO STRUCTURE

VPEG2's Portfolio Structure – 31 December 2018

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

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	
0.2%	5.7%	Later Expansion	27.8%
		Buyout	66.2%

VPEG2B			
Cash	Fixed Interest	Private Equity	
0.4%	10.6%	Later Expansion	27.2%
		Buyout	61.8%

PRIVATE EQUITY PORTFOLIO

With commitments to eight Private Equity funds, VPEG2 had ultimately invested in 44 underlying companies, including one co-investment and three exits completed, at quarter end. As a result, VPEG2's Private Equity portfolio and commitments, as at 31 December 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
Next Capital Fund III	\$265m	2014	Small to Mid Market Expansion / Buyout	\$6.0m	\$2.0m	\$4.41m	\$1.47m	7	2
Allegro Fund II	\$180m	2014	Small to Mid Market Expansion / Buyout	\$4.0m	\$2.0m	\$3.38m	\$1.69m	8	1
Mercury Capital Fund 2	\$300m	2015	Small to Mid Market Expansion / Buyout	\$3.8m	\$1.2m	\$3.23m	\$1.02m	6	0
CHAMP IV	\$735m	2016	Mid Market Buyout	\$6.0m	\$2.0m	\$4.57m	\$1.52m	8	0
Waterman Fund 3	NZ\$200m	2016	Small to Mid Market Expansion / Buyout	NZ\$3.0m	NZ\$1.0m	\$2.08m	\$0.66m	4	0
Pencarrow Bridge Fund	NZ\$80m	2016	Small to Mid Market Expansion / Buyout	NZ\$1.5m	NZ\$0.5m	\$1.07m	\$0.35m	4	0
Adamantem Capital Fund 1	\$600m*	2017	Mid Market Expansion / Buyout	\$7.6m	\$2.4m	\$3.29m	\$1.04m	4	0
Odyssey Fund 8	\$275m	2017	Mid Market Expansion / Buyout	\$6.0m	\$2.0m	\$1.98m	\$0.66m	2	0
Co-Invest 1 (Fitzpatrick's Financial Group)	\$200m	2017	Mid Market Expansion	\$0.4m	\$0.1m	\$0.41m	\$0.13m	1	0
Total **				\$38.0m	\$13.1m	\$24.42m	\$8.54m	44	3

** Assumes an average AUD / NZ exchange rate 1.1 for VPEG2's investment commitments to Waterman Fund 3 & the Pencarrow Bridge Fund.

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 or called from VPEG2 (on a pro rata basis across both trusts A & B), as at 31 December 2018.

Rank	Investment	Fund	Description	% of VPEG2's Private Equity Investments	Cumulative %
1	Funlab	Next Capital III	Developer & Operator of Entertainment & Leisure Venues	8.4%	8.4%
2	Pepperstone	CHAMP IV	Futures Trading Investment Platform	6.0%	14.5%
3	Message Media	Mercury Capital 2	Business to Person messaging	5.7%	20.2%
4	Carpet Court NZ	Allegro Fund II	Carpet Retailer	4.2%	24.4%
5	Adventure Holdings Australia Pty Ltd	Odyssey 8	Leading Outdoor Equipment Brand	4.1%	28.5%
6	Hygain Holdings Pty Ltd	Adamantem 1	Premium Horse Feed Manufacturer & Distributor	4.0%	32.5%
7	Lynch Group	Next Capital III	Flower & Potted Plant Operator	3.9%	36.4%
8	Jaybro Group	CHAMP IV	Infrastructure Project - Supplier Of Consumables	3.3%	39.7%
9	Dutton Group	CHAMP IV	Wholesaler of New & Used Prestigious Vehicles	3.1%	42.8%
10	Heritage Lifecare Ltd	Adamantem 1	New-Zealand Age-Care & Retirement Village Operator	3.0%	45.8%

INDUSTRY SPREAD OF VPEG2'S UNDERLYING INVESTMENTS

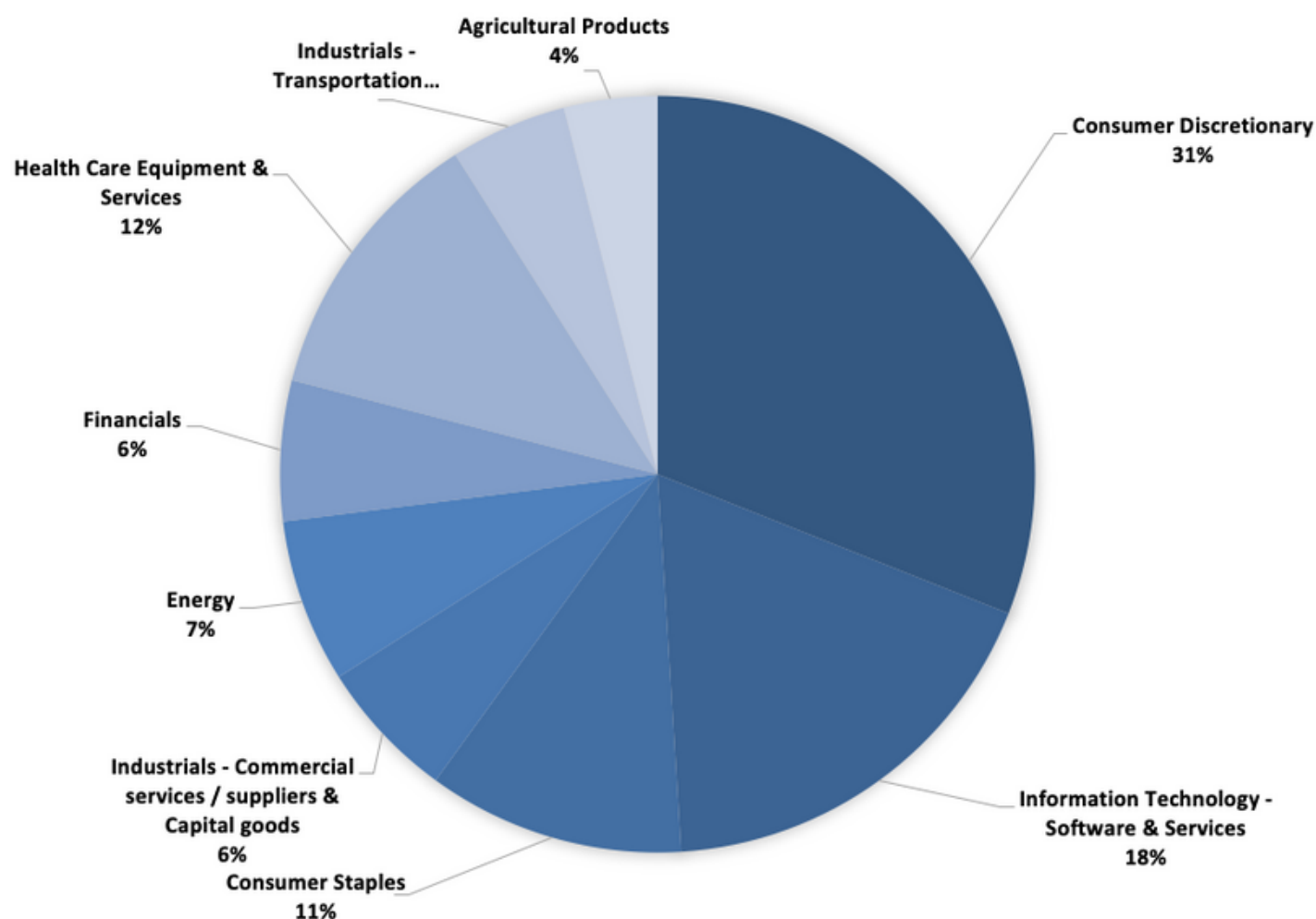
The acquisition of Zenitas Healthcare by Adamantam Capital Fund 1 and TRG Imaging by Waterman Capital Fund 3 during the quarter increased VPEG2's exposure to the "Health Care Equipment & Services" sector from 6% to 12%.

The acquisition of Mitavite by Adamantam investee Hygain Holdings during the quarter increased VPEG2's exposure to the "Agricultural Products" sector from 2% to 4%.

The investment in Fiftyfive5 by Mercury Fund 2 during the quarter increased VPEG2's exposure to the "Industrials - Commercial services / suppliers & Capital goods" from 5% to 6%.

As a result, all other industry sector exposures reduced, in overall percentage terms, to accommodate these recently completed investments.

The "Consumer Discretionary" sector remains VPEG2's largest industry sector exposure, representing 31% of the total Private Equity portfolio as at 31 December 2018.



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