VPEG2

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Vantage Private Equity Growth 2
Quarterly Report
31 March 2020

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SUMMARY

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 has invested the majority of its Investment Portfolio into Australian based Private Equity funds who in turn are focused on investing into lower 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[1] of commitments across eight Private Equity funds and completed one co-investment. As a result, VPEG2 has invested in 53 underlying company investments, with eight exits completed to date. As at 31 March 2020 , 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 into Fitzpatrick Financial Group.

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

SPECIAL POINTS OF INTEREST

Mercury Capital Fund 2 invests in National Express Products, a New Zealand headquartered office and facility supply business

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Waterman Capital Fund 3 investee TRG Imaging, completes the bolt-on acquisition of Canopy Cancer Care, New Zealand's leading private clinic for adult cancer patients

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A significant majority of VPEG2's underlying portfolio have reported a net benefit or a low impact to their revenues as a result of the current COVID-19 operating environment

Month Ending	VPEG2A NAV / Unit ($)	VPEG2B NAV / Unit ($)
31-Mar-20	1.184	1.169
29-Feb-20	1.281	1.279
31-Jan-20	1.282	1.283
31-Dec-19	1.265	1.267

PERFORMANCE

During the period 1 January 2020 to 31 March 2020 one new underlying company investment was added to VPEG2's portfolio and one bolt-on acquisition was completed by an existing portfolio company.

Capital calls were made on VPEG2 by two underlying funds across the quarter, with majority of the called capital required to fund the bolt-on acquisition that was completed.

The table to the left provides a summary of the performance of VPEG2's portfolio across the quarter. As demonstrated, VPEG2A's Net Asset Value (NAV) per partly paid unit decreased by 6.40% across the quarter from $1.265 at 31 December 2019 to $1.184 at 31 March 2020.

Also as detailed in the table, VPEG2B's NAV per unit decreased by 7.73% across the quarter from $1.267 to $1.169. The decrease in NAV of both trusts resulted predominately from the reduction in the unrealised value of twenty underlying companies in VPEG2's portfolio, due to the impact of COVID-19 on their operations, offset by the increase in value of four underlying companies across the quarter.

As at 31 March 2020, all VPEG2A and VPEG2B Investors had Paid Capital to each trust equating to $1.00 per unit or equivalent to 100% of their Committed Capital to each of VPEG2A and VPEG2B.

VPEG2's underlying Private Equity fund managers report that whilst they expect each of their portfolio companies is likely to return to its pre-crisis maintainable earnings, the timing and the extent of recovery remain uncertain. As a result, they do not expect any of these reductions in unrealised values to be permanent but rather reflect the current temporary deterioration in trading conditions resulting from the COVID-19 imposed restrictions on the economy.

Please refer to the section commencing on page 12 under "VPEG2 COVID-19 Portfolio Update" for further detail about the valuation process undertaken by all underlying funds within VPEG2's portfolio at the March 2020 quarter end.

KEY PORTFOLIO DEVELOPMENTS

During the March 2020 quarter, continued activity across VPEG2's underlying Private Equity portfolio resulted in the completion of one underlying investment and one bolt-on acquisition added to an existing underlying investment.

A total of $335,965 was called from VPEG2 during the quarter, by Allegro Fund III and Waterman Capital Fund 3. The majority of the capital called was required to fund the bolt-on acquisition as well as to fund the costs associated with the operations of underlying funds during the period.

During March 2020, Mercury Capital Fund 2 completed an investment in National Express Products, an office and facility supply business operating in New Zealand.

Also during March 2020, VPEG2 investee Waterman Capital Fund 3, completed the bolt-on acquisition by underlying investment TRG Imaging of Canopy Cancer Care, New Zealand's leading private clinic for adult cancer patients.

During the quarter, VPEG2 received distributions totaling $327,271 from underlying fund CHAMP IV. The distribution from CHAMP IV resulted from further proceeds from the previously exited portfolio company Pepperstone Group and from the strong operating performance of Marand Precision Engineering and Panthera Finance.

With ten investments completed by CHAMP IV, eight by each of Allegro II and Next III, seven by Mercury Capital Fund 2, six by Adamantem Capital Fund 1, five by Odyssey Private Equity Fund 8, four by each of Pencarrow Bridge Fund and Waterman 3, and one co-investment, the total number of underlying Private Equity company investments completed in VPEG2's portfolio as at 31 March 2020 was 53, with eight exits completed to date.

While the longer-term financial implications of COVID-19 are still unknown, the volatility in global markets has already created a re-rating of risk amongst market participants. Arguably these events are signifying the beginning of a new cycle in financial markets and the end of a prolonged period of asset inflation increasing acquisition multiples. As a result of the current environment, VPEG2's underlying Private Equity fund managers are adopting a conservative approach to any new bolt-on investment activity.

The absolute priority of each underlying fund manager at this critical time is to seek to reduce any negative impact caused by the disruption of COVID-19 on the operations of each portfolio company and ultimately preserve value across the portfolio until the economy stabilises and strategies for growth can be re-implemented.

OVERVIEW OF RECENT INVESTMENT

NATIONAL EXPRESS PRODUCTS (NXP) – MERCURY CAPITAL FUND 2

During March 2020, Mercury Capital Fund 2 completed an investment in National Express Products (NXP), an office and facility supply business operating in New Zealand.

NXP has been sourcing and distributing products in the New Zealand market for over 70 years, aiming to provide its clients with cost effective solutions and custom supply chain services. NXP's extensive workplace solutions are designed to reduce their customers procurement costs, whilst increasing their staff productivity and engagement. The company provides its customers with a single source supplier of choice, allowing them to consolidate their business products spend and create a contract specified for their clients.

OVERVIEW OF RECENT BOLT-ON

TRG IMAGING - CANOPY CANCER CARE - WATERMAN CAPITAL FUND 3

CANOPY CANCER CARE

On 31 March 2020, Waterman Capital Fund 3 portfolio company TRG Imaging, completed the bolt-on acquisition of Canopy Cancer Care, a leading private clinic for adult cancer patients.

Canopy Cancer Care specialises in the care of patients requiring cancer treatment with chemotherapy, immunotherapy, antibody therapy, hormone therapy and more targeted therapies. The Canopy team have been providing high quality services in Auckland for over 10 years, coordinating all aspects of the cancer treatment for their patients.

UPDATE ON PREVIOUSLY ANNOUNCED EXIT

FUNLAB - NEXT CAPITAL FUND III

As reported in the VPEG2 Quarterly Report, December 2019, on 23 December 2019, Next Capital announced that they had signed an agreement to sell investee company Funlab to Sydney based Private Equity firm Archer Capital with completion expected during the March 2020 quarter.

However, the sale was subject to a number of Conditions Precedent (CP's). One of those CP's outstanding at the time of the onset of COVID-19, was the approval for the purchase to proceed, by the Australian Government Foreign Investment Review Board (FIRB). The contract was also subject to a Material Adverse Change clause. Given the delay in approval by the FIRB and the imposed Government restrictions forcing the closure of all hospitality venues on 23 March 2020, Funlab was forced to close all 36 of its venues in Australia, New Zealand and Singapore.

The shutdown of Funlab's operations caused a significant drop in their financial performance, which constituted a Material Adverse Change under the sale contract, allowing the purchaser, Archer Capital, to withdraw. Next Capital expects the company's performance to bounce back strongly once Funlab can re-open as the target market of 18 - 35 year old's have suffered fewer health effects, have greater disposable income having had few spending opportunities and are looking forward to the removal of social restrictions. Next Capital are now actively focusing on cashflow, employee retention and bank management during the period where the business has no revenue, to ensure it has sufficient liquidity to return to full operations as soon as restrictions are lifted.

PORTFOLIO STRUCTURE

VPEG2's PORTFOLIO STRUCTURE - 31 MARCH 2020

The tables and charts below provide information on the breakdown of VPEG2's investments as at 31 March 2020.

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	Short Term Deposits	Private Equity	
3.2%	0.8%	Later Expansion	27.9%
		Buyout	68.1%

VPEG2B			
Cash	Short Term Deposits	Private Equity	
0.1%	0.6%	Later Expansion	30.4%
		Buyout	68.9%

PRIVATE EQUITY PORTFOLIO

With commitments to eight Private Equity funds, VPEG2 has ultimately invested in 53 underlying companies, including one co-investment with eight exits completed, at quarter end. As a result, VPEG2's Private Equity portfolio and commitments, as at 31 March 2020 , were as follows:

Private Equity Fund Name	Fund / Deal Size	Vintage Year	Investment Focus	VPEG2 Commitment		Capital Drawn		Total No. of Investee Companies	No. of Exits
				VPEG2A	VPEG2B	VPEG2A	VPEG2B		
Next Capital Fund III	$265m	2014	Lower to Mid Market Expansion / Buyout	$6.0m	$2.0m	$5.18m	$1.72m	8	2
Allegro Fund II	$180m	2014	Lower to Mid Market Expansion / Buyout	$4.0m	$2.0m	$3.69m	$1.84m	8	3
Mercury Capital Fund 2	$300m	2015	Lower to Mid Market Expansion / Buyout	$3.8m	$1.2m	$3.46m	$1.09m	7	1
CHAMP IV	$735m	2016	Mid Market Buyout	$6.0m	$2.0m	$5.41m	$1.80m	10	2
Waterman Capital Fund 3	NZ$200m	2016	Lower to Mid Market Expansion / Buyout	NZ$3.0m	NZ$1.0m	$2.20m	$0.70m	4	-
Pencarrow Bridge Fund	NZ$80m	2016	Lower to Mid Market Expansion / Buyout	NZ$1.5m	NZ$0.5m	$1.16m	$0.38m	4	-
Adamantem Capital Fund 1	$591m	2017	Mid Market Expansion / Buyout	$7.6m	$2.4m	$5.38m	$1.70m	6	-
Odyssey Fund 8	$275m	2017	Mid Market Expansion / Buyout	$6.0m	$2.0m	$3.24m	$1.08m	5	-
Co-invest (Fitzpatrick Financial Group)	$200m	2017	Mid Market Expansion	$0.4m	$0.1m	$0.41m	$0.13m	1	-
			Total[1]	**$38.0m**	**$13.1m**	**$30.13m**	**$10.44m**	**53**	**8**

[1]Assumes an average AUD/NZD exchange rate of 1.1 for VPEG2's investment commitments and draw down to Waterman Fund 3 and the Pencarrow Bridge Fund.

SUMMARY OF VPEG2's UNDERLYING PRIVATE EQUITY INVESTMENTS

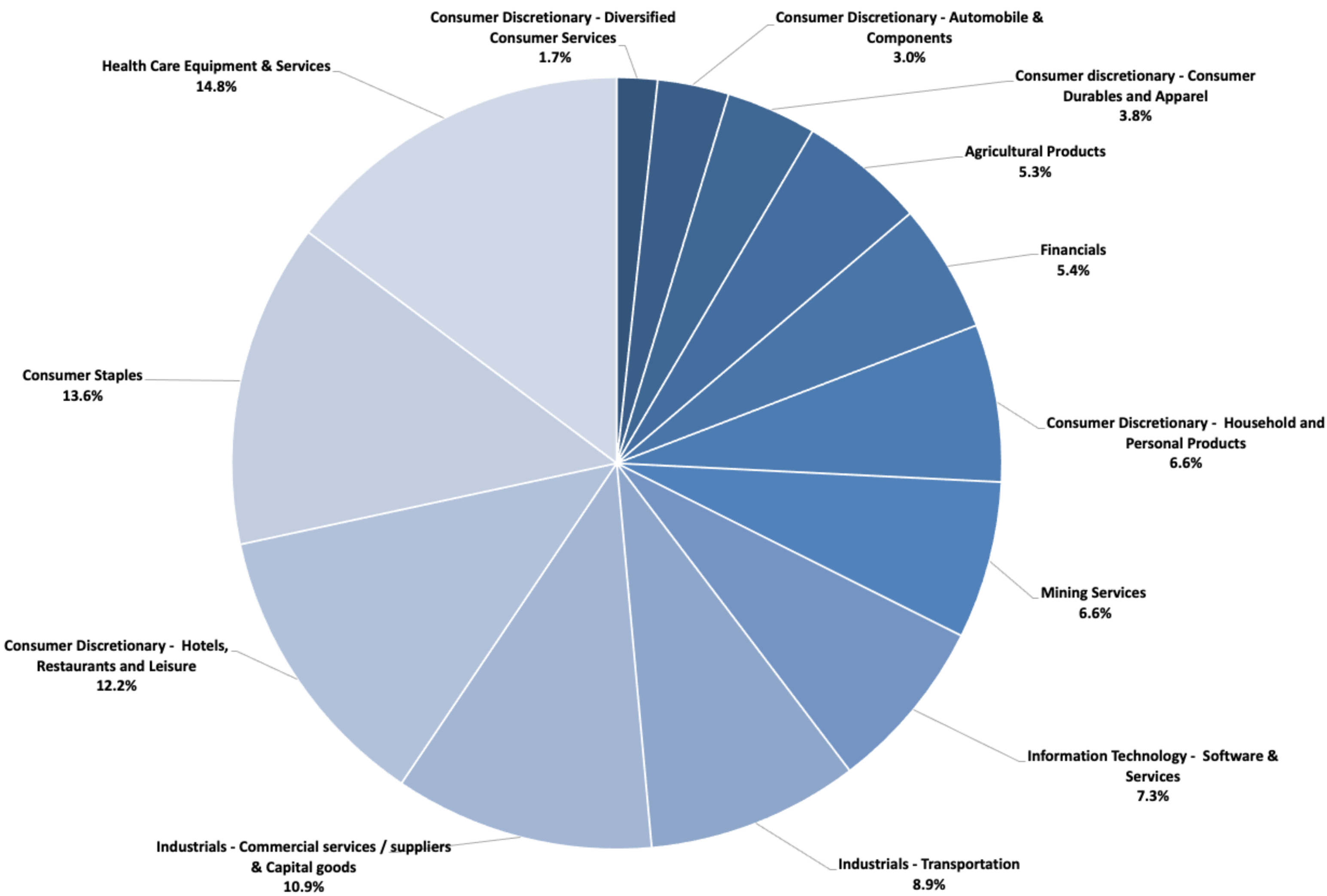
The table below provides an overview of the top 10 underlying private equity investments within VPEG2's portfolio, for which funds had been drawn or called from VPEG2 (on a pro rata basis across both trusts A & B), as at 31 March 2020 .

Rank	Investment	Fund	Description	% of VPEG2's Private Equity Investments	Cumulative %
1	Funlab	Next Capital III	Developer & Operator of Entertainment & Leisure Venues	7.1%	7.1%
2	Heritage Lifecare Limited	Adamantem Capital Fund 1	New Zealand aged care & retirement village operator	4.6%	11.7%
3	Hellers	Adamantem Capital Fund 1	Producer of processed meats in New Zealand	4.4%	16.1%
4	Hygain Holdings Pty Ltd	Adamantem Capital Fund 1	Premium Horse Feed Manufacturer & Distributor	4.3%	20.4%
5	Message Media	Mercury Capital Fund 2	Business to Person messaging	3.8%	24.2%
6	Strait Shipping Ltd	CHAMP IV	New Zealand Logistics Group	3.8%	28.0%
7	Jaybro Group	CHAMP IV	Infrastructure Project - Supplier Of Consumables	3.4%	31.4%
8	Lynch Group	Next Capital III	Flower & Potted Plant Operator	3.2%	34.6%
9	Dutton Group	CHAMP IV	Wholesaler of New & Used Prestigious Vehicles	3.0%	37.6%
10	Tamaki Health Group	Mercury Capital Fund 2	New Zealand Primary Care Operator	2.8%	40.4%

INDUSTRY SPREAD OF VPEG2's UNDERLYING INVESTMENTS

As Adamantem Capital Fund 1 investee, Hellers, increased in value across the quarter, VPEG2's exposure to the "Consumers Staple" industry sector increased from 12.9% to 13.6%.

As a result of the above change and other revaluations across the quarter, other industry sector exposures also slightly changed. VPEG2's exposure to the "Health Care – Equipment and Services" industry sector which consists of Cell Care, Heritage Lifecare, Tamaki Healthcare, TRG Imaging and Zenitas Healthcare became VPEG2's largest industry exposure representing 14.8% of VPEG2's total portfolio at quarter end.



VPEG2 COVID-19 PORTFOLIO UPDATE

REVISED INTERNATIONAL PRIVATE EQUITY VALUATION GUIDELINES FOR PORTFOLIO REVALUATIONS AS AT 31 MARCH 2020

Given the magnitude of the COVID-19 crisis and the significant uncertainties which it presents, on 30 March 2020, the Australian Investment Council (AIC) issued a set of updated guidelines from the International Private Equity Valuation Board (IPEV). These updated guidelines have provided Private Equity managers globally with a framework to fairly value their underlying investments at the 31 March 2020 quarter-end.

Key summary points from IPEV guidelines for Private Equity portfolio revaluations as a result of COVID-19 include;

- The impact of the crisis on the portfolio company's revenue / customers, supply chain, and operations (including availability of employees and the leadership team to work remotely) must be rigorously considered at March 31, 2020.

- Estimates as to performance shortfalls for Q1, Q2 and beyond, to the extent possible are necessary. Updated performance projections are likely to be necessary.

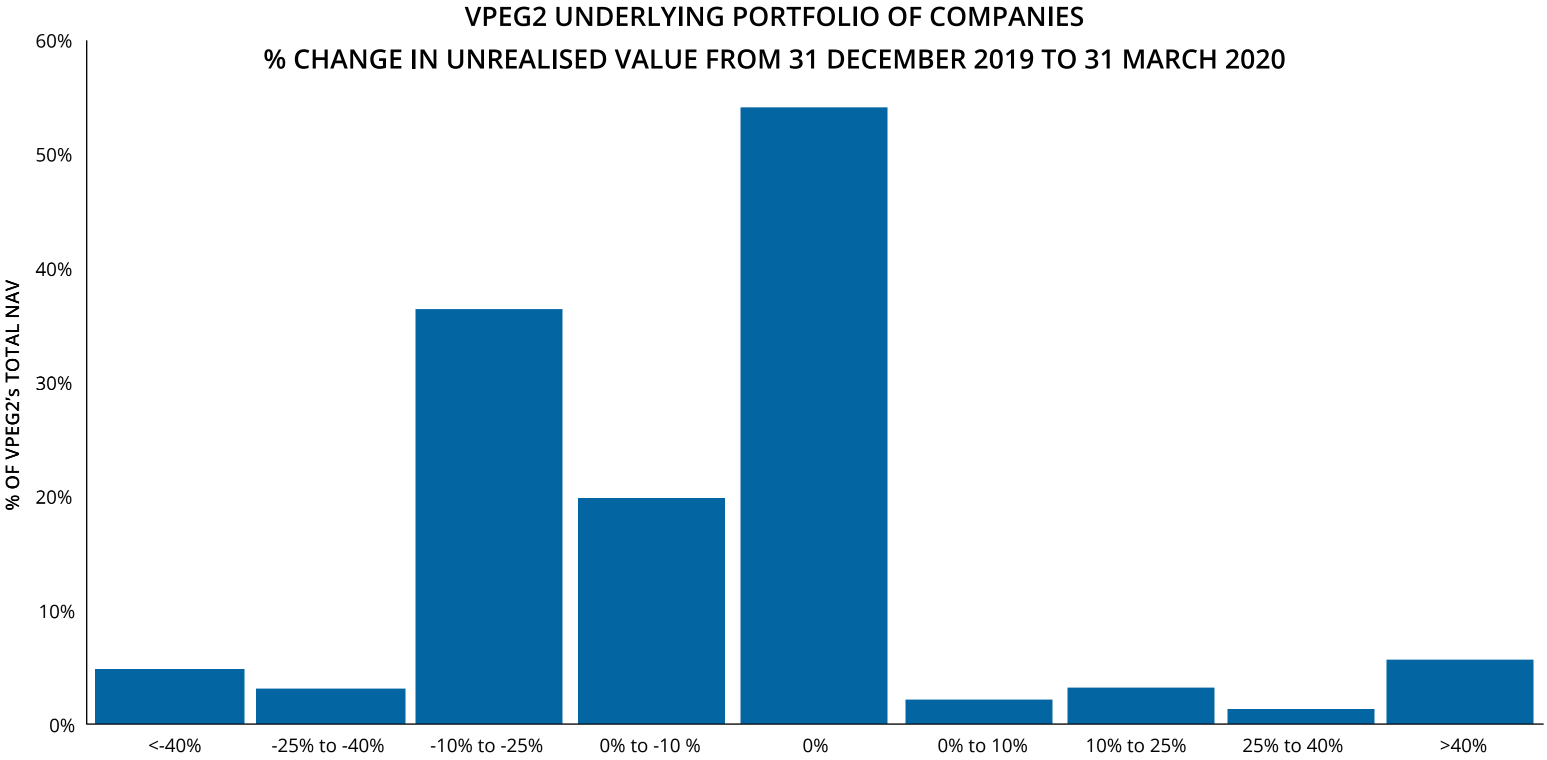
- Appropriate multiples must be determined which reflect the current market environment including risk and uncertainty in projections and historical results.

- An appropriate multiple would be congruent with the metric to which it is applied. The percentage change in market capitalisation of comparable public companies may provide a good proxy for the magnitude of the change to be expected in the multiple

- Expected adverse performance in Q1 and Q2 2020 and beyond, if deemed one-time, would still impact cash balances and would be reflected as a deduction from enterprise value in estimating fair value.

- The selection of metrics base on last twelve months (LTM) or next twelve months (NTM) would be determined based on market participant expectations and the availability of applicable multiples.

As a result, a majority of VPEG2's underlying fund managers undertook revaluations of all unrealised investments based on forward looking projections as at 31 March 2020. The graph below details the range of change in unrealised value of VPEG2's underlying portfolio from 31 December 2019 to 31 March 2020 represented as a percentage of VPEG2's total Net Asset Value at 31 March 2020 .



Due to the high level of diversification of VPEG2's underlying portfolio, the effect of COVID-19 restrictions on the operations of each portfolio company has varied.

However, as demonstrated in the chart above, a majority of companies in VPEG2's underlying portfolio, representing **66% of total Net Asset Value**, have either increased in value, remained constant in value or reduced in value by less than 10% across the quarter due to the impact of COVID-19 restrictions on their operations.

In addition, many of VPEG2's underlying companies have adapted to the evolving operating environment under COVID-19 to deliver products and services, that assist business customers and other consumers in various ways. Ultimately, these initiatives have helped to protect the value of a majority of VPEG2's underlying portfolio companies during the onset of the current economic downturn.

VPEG2 COVID-19 PORTFOLIO REVIEW

The current environment around COVID-19 and restrictions imposed by Government's on the operations of businesses across the economy, is very fluid and its impact on each of VPEG2's underlying company investments is being monitored daily by all of VPEG2's underlying private equity fund managers.

Each underlying fund manager is working closely with the respective management teams of each company, to preserve cash and to implement strategies to maintain liquidity across a potential prolonged downturn, that are tailored for each individual investment.

The absolute priority of each underlying fund manager at this critical time is to seek to reduce any negative impact caused by the disruption of COVID-19 on the operations of each portfolio company and ultimately preserve value across the portfolio until the economy stabilises and strategies for growth can be re-implemented.

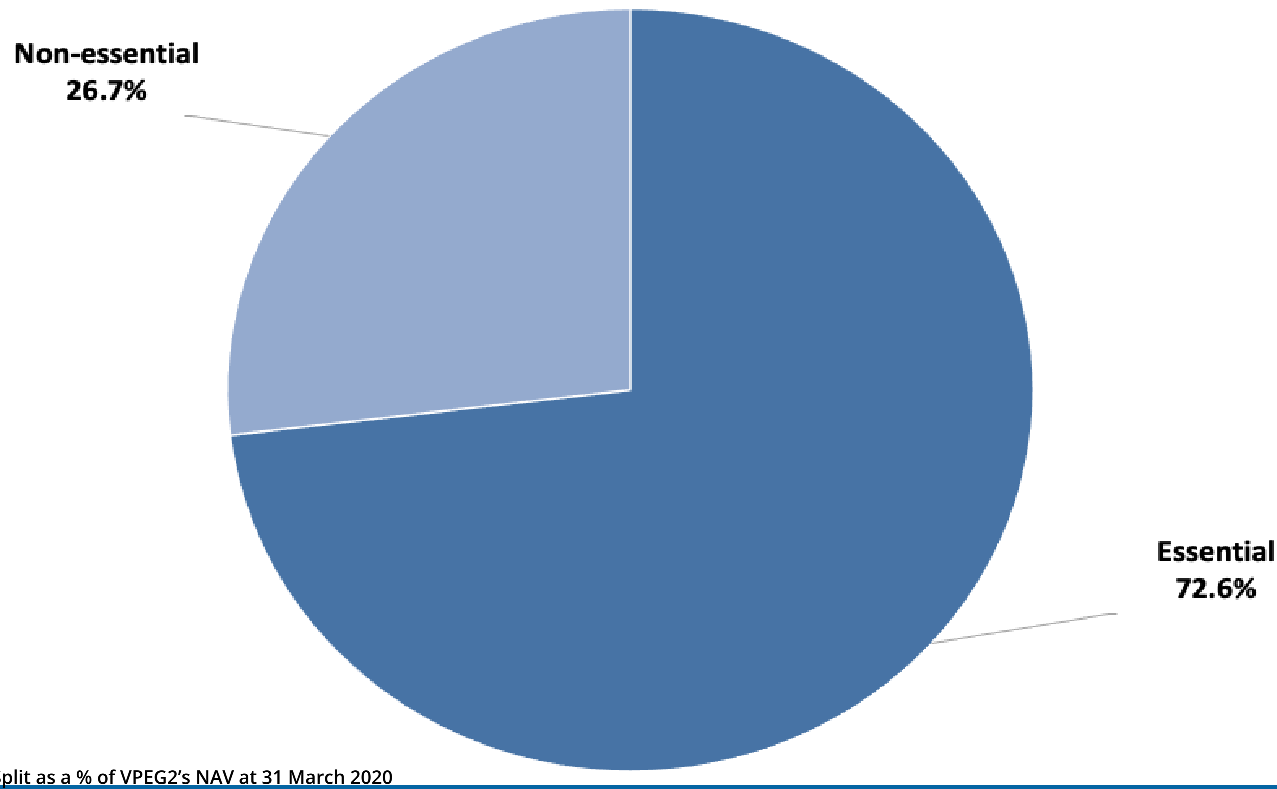
Following the receipt of comprehensive updates from all of VPEG2's underlying Private Equity managers and subsequent detailed discussions with each manager regarding the impact of the COVID-19 restrictions on the operations of all underlying companies in VPEG2's portfolio, the Vantage team developed a summary COVID-19 portfolio update that was distributed to all VPEG2 investors during April 2020.

The summary assessed the potential impact, mitigating factors and observed impact to date resulting from the COVID-19 situation as it relates to each of VPEG2's underlying company investments. A summary of the key points of note from this analysis is provided below.

As restrictions were imposed on the operations of businesses by both the Australian and New Zealand Governments, commencing in late March 2020, only businesses deemed as Essential Service business were allowed to continue to operate while observing social distancing and adhering to additional health and safety protocols in their workplaces.

The chart below provides a split of VPEG2's underlying company portfolio as they are deemed to operate as either Essential or Non-essential businesses as defined under the respective Australian and New Zealand Government's business definitions during COVID-19 restrictions.

SPLIT OF VPEG2's PORTFOLIO BY COVID-19 BUSINESS DEFINITION

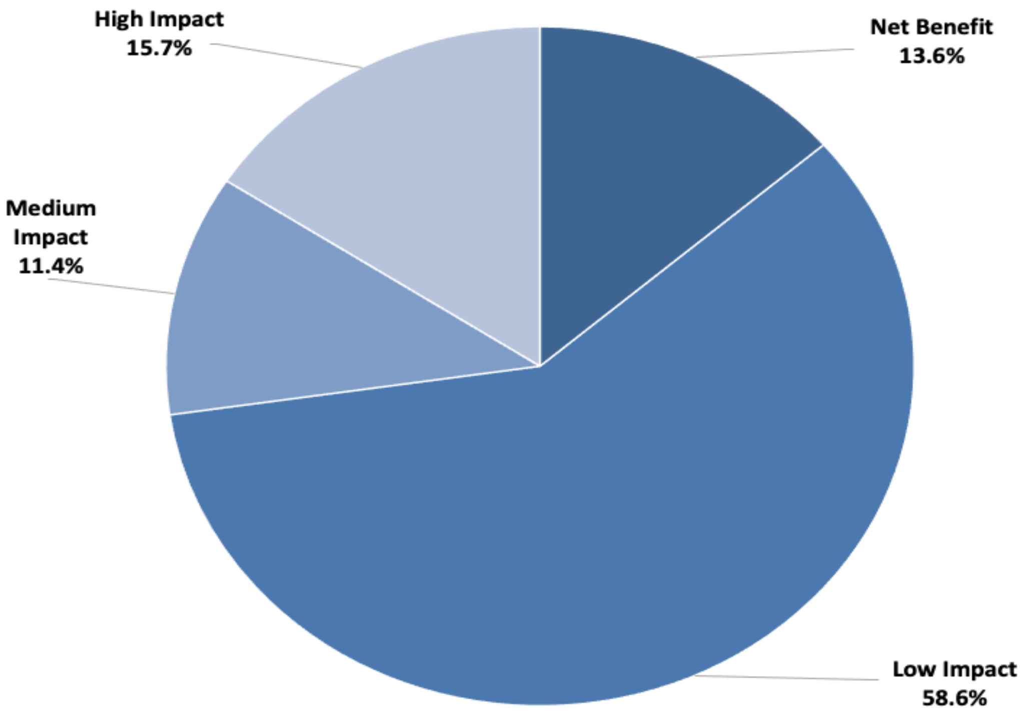


Note; Split as a % of VPEG2's NAV at 31 March 2020

As demonstrated above, **36 companies** representing **72.6% of VPEG2's Net Asset Value (NAV) operate Essential Service businesses** or provide a **majority of their products and services to Essential Service businesses**. This has effectively allowed these businesses to continue to operate following the imposition of the COVID-19 shutdowns / lockdowns in each country, reducing the impact of these restrictions on their financial performance.

The chart below provides a breakdown of the observed or forecast, impact on revenue, compared to the same period last year, resulting from the COVID-19 situation as it relates to each of VPEG2's underlying portfolio of company investments.

IMPACT TO REVENUE ACROSS VPEG2's UNDERLYING PORTFOLIO RESULTING FROM COVID-19



Note; Breakdown as a % of VPEG2's NAV at 31 March 2020

As demonstrated above, a total of **34 portfolio companies** representing **72.2% of VPEG2's NAV have reported either a net benefit or a low impact to their revenue's** as a result of the current COVID-19 operating environment.

As reported by underlying private equity managers, VPEG2's portfolio of companies generally have a low to moderate level of gearing, with a majority of companies still generating good cashflows. Furthermore, it was reported that all of VPEG2's underlying companies have either sufficient cash reserves or the ability to draw down on existing finance facilities to satisfy their financial obligations, should a prolonged economic downturn persist. Finally, liquidity is being successfully managed within each business and whilst for a minority of companies, this remains dependent upon securing the benefit of various government and industry assistance packages, there is a reasonable level of confidence that each company will be able to manage their liquidity requirements until the COVID-19 restrictions are lifted.

MARKET AND ECONOMIC CONDITIONS

In late March 2020, the Australian and New Zealand Governments implemented strong containment measures to reduce the spread of COVID-19 among communities. To date these measures have proved effective in reducing the rate of new infections. However, these measures have come at a cost of significantly disrupting the economy and the many vast industries it is comprised of. As a result, both Governments have recently commenced rolling back restrictions across states and territories to essentially restart each economy.

The economic ramifications of the virus is being largely felt in unemployment rates. As some businesses inevitably downsize, employees have been stood down under Fair Work Act s.524- 525, which allows an employer to stand down employees due to a number of unforeseeable circumstances. Indeed, unemployment rates are increasing in many countries across the world especially those most impacted by the virus. Based on preliminary analysis it is estimated that Australia’s unemployment rate will cap between 7% to 10% during the next three to six months.

The banking and capital markets sector have not gone unscathed and may be facing difficult times ahead. The banks are witnessing credit challenges with both their business and retail customers, as they face increasingly problematic circumstances over the coming months and into 2021. Added to these headwinds, is the historically low interest rates at 0.25%. Having said that, there is a realisation that banks are generally better capitalised now than during the Global Financial Crisis (GFC).

Globally, stock markets have also been drastically impacted. The quarter ended 31 March 2020 saw rapid sell offs in most equity markets around the world. During this period the Dow Jones Industrial Average, the FTSE and the ASX All Ordinaries all experienced declines of over 30% in a two-week period.

Economists around the world are expecting that the downturn will be most acute in the next two to three quarters, with growth to return thereafter. The timing of the recovery will, however, depend on the duration of the containment measures, the rate of testing/contact tracing and the effectiveness of policy responses.

AUSTRALIA / NEW ZEALAND ECONOMIC RESPONSE

The Australian and New Zealand governments have moved quickly to legislate a wide range of measures to provide financial assistance to individuals and businesses.

In response to the impact on the Australian economy, the Government has implemented three stimulus packages worth over $214 billion. These have included a range of payments to individuals and businesses representing approximately 10.6% of Australia’s GDP. The New Zealand Government has also announced a spending package equivalent to 4% of GDP in an attempt to fight the effects of COVID-19 on its economy.

In addition to the fiscal support, other important liquidity measures have also been implemented. A range of federal and state taxes have been either waived or deferred. Banks have provided an amortisation holiday and covenant relief for many companies for a period of up to six months. Many commercial landlords, under direction of the Government, have provided tenants with deferral and partial waiver of rents throughout the lockdown period.

Fortunately, the balance sheets and credit ratings of both Australia and New Zealand are strong with net debt to GDP ratios relatively low at around 19%. This compares with the rather staggering average ratio of 74% for other advanced economies.

As containment measures have proved to have lowered the spread of infection rates, the priority for the Australian and New Zealand Governments now is to support jobs, incomes and businesses, so that when the health crisis subsides, these countries are well placed to recover strongly.

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