

VANTAGE PRIVATE EQUITY GROWTH 3

QUARTERLY REPORT
30 SEPTEMBER 2019

VPEG3
DIVERSIFY
GROW
OUTPERFORM

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IMPORTANT INFORMATION

This report has been prepared by Vantage Private Equity Management Partnership, LP, an authorised representative of Vantage Asset Management Pty Limited ABN 50 109 671 123, AFSL 279186 ('VAM'), in its capacity as Investment Manager of Vantage Private Equity Growth 3, LP. 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. This report 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.

SUMMARY

BACKGROUND

Vantage Private Equity Growth 3 (VPEG3) is a multi-manager Private Equity investment fund consisting of Vantage Private Equity Growth 3, LP (VPEG3, LP) an Australian Fund of Funds (AFOF) Limited Partnership and Vantage Private Equity Growth Trust 3A (VPEG3A) an Australian Unit Trust.

VPEG3, LP is unconditionally registered with the Australian Government Department of Industry, Innovation and Science as a complying investment for the Significant Investor Visa (SIV), focused on investing in the lowest risk sector, of the Venture Capital or Private Equity (VCPE) segment, Growth Private Equity.

VPEG3A has been established to undertake private equity investments that are not permitted to be made by an AFOF, in accordance with Australian regulations. As such only VPEG3 Investors that are not SIV investors, are unit holders in VPEG3A. VPEG3A also qualifies as a Managed Investment Trust (MIT) for Australian Tax purposes.

VPEG3 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 term returns on its 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 fund manager, geographic region, financing stage, industry sector and vintage year.

VPEG3 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 of between \$25m and \$250m at investment.

VPEG3 will develop a diversified portfolio of underlying investments by investing into the seven underlying Private Equity funds in which it has made investment commitments, who in turn are focused on investments into profitable companies in growth industry sectors including the Healthcare, Information Technology, Consumer Discretionary, Education and Tourism sectors.

As at 30 September 2019 VPEG3 had committed \$67.4m across seven Primary Private Equity Funds and two co-investments. As a result, a total of 18 underlying company investments exist within the portfolio at quarter end. VPEG3's investment commitments include; \$12m to Allegro Fund III; \$10m to each of Adamantem Capital Fund 1, Advent Partners 2 Fund, Anchorage Capital Partners Fund III and Next Capital Fund IV, \$7.5m to Mercury Capital Fund 3 and \$7m to Odyssey Private Equity Fund 8. VPEG3 co-investments include; \$0.25m into Fitzpatrick Financial Group and \$0.6m into Tribe Brewing.

SPECIAL POINTS OF INTEREST

ALLEGRO FUND III INVESTS INTO PERTH RADIOLOGICAL CLINIC, WESTERN AUSTRALIA'S LARGEST DIAGNOSTIC IMAGING PROVIDER.

ADAMANTEM CAPITAL FUND 1 COMPLETES THE PUBLIC TO PRIVATE ACQUISITION OF LEGEND CORPORATION LIMITED, AN AUSTRALIAN DISTRIBUTOR OF TOOLS, COMPONENTS AND ACCESSORIES INTO THE ELECTRICAL WHOLESALE AND INDUSTRIAL / COMMERCIAL GAS MARKETS.

MERCURY CAPITAL FUND 3 INVESTS INTO SQUIZ PTY LTD, AUSTRALIA'S LARGEST CONTENT MANAGEMENT SYSTEM AND ENTERPRISE SEARCH BUSINESS WITH INTERNATIONAL OPERATIONS.

VPEG3'S PORTFOLIO EXPANDS TO 21 UNDERLYING COMPANY INVESTMENTS, OPERATING ACROSS A BROAD RANGE OF INDUSTRY SECTORS.

PERFORMANCE

The period 1 July 2019 to 30 September 2019 saw continued activity across the Fund's underlying of Private Equity portfolio.

During the period, three new underlying Private Equity investments were added to VPEG3's portfolio, which were completed by Adamantem Capital Fund 1, Allegro Fund III and Mercury Capital 3. As a result of these new investments, the total number of underlying Private Equity investments in VPEG3's portfolio increased to twenty-one.

The number and size of underlying investments within the VPEG3 portfolio is set to accelerate over the coming months and into calendar year 2020 with all underlying fund managers actively evaluating several new and bolt-on investment opportunities.

During the quarter, a call was issued by VPEG3, LP to all investors for a further 15% of their Committed Capital to VPEG3, to fund a number of new underlying company investments completed across the quarter as well as subsequent to quarter end. As a result, all VPEG3 Investors had Paid Capital to VPEG3, LP totalling 53% of their Committed Capital to VPEG3 at 30 September 2019. Furthermore, all VPEG3 Investors, with the exception of SIV investors, had Paid Capital to VPEG3A, totalling 8% of their Committed Capital to VPEG3 at quarter end.

KEY PORTFOLIO DEVELOPMENTS

During the September 2019 quarter, VPEG3 continued the development of its Private Equity portfolio with three new underlying company investments added to the portfolio.

Draw downs during the quarter from VPEG3, totaling \$5,555,310 were paid to Adamantem Capital Fund 1, Advent Partners 2, Allegro Fund III, Anchorage Capital Partners Fund III, Mercury Capital Fund 3 Odyssey Private Equity Fund 8 and Tribe Brewing.

KEY PORTFOLIO DEVELOPMENTS_{cont.}

VPEG3'S PORTFOLIO EXPANDS TO 21 UNDERLYING COMPANIES OPERATING ACROSS A BROAD RANGE OF INDUSTRY SECTORS

The majority of calls paid during the quarter were to fund new underlying company investments or to repay bridge funding that had been utilised by underlying funds when they initially acquired portfolio companies during the 2019 financial year. Additional capital was called to fund other costs associated with the operations of underlying funds, including management fees and due diligence costs incurred in completing new investments.

In July 2019, Allegro Fund III completed the investment into Western Australia's largest diagnostic imaging provider, Perth Radiological Clinic (PRC), in partnership with PRC's doctors.

In August 2019, Adamantem Capital Fund 1 completed the public to private acquisition of Legend Corporation Limited, a previously ASX-listed distributor of products, tools, components and accessories into the electrical wholesale and industrial / commercial gas markets.

Also, during August 2019, Mercury Capital Fund 3 invested in Squiz Pty Ltd ("Squiz") Australia's largest Content Management System (xCMS) and Enterprise Search business with operations across Australia, New Zealand, UK, Poland and US.

The number of underlying company investments in VPEG3's portfolio is set to increase over the remainder of the year and into calendar year 2020, with each underlying Private Equity fund managers reporting a solid pipeline of investment opportunities which is expected to lead to the completion of further new investments for VPEG3's underlying portfolio.

OVERVIEW OF NEW INVESTMENTS



Perth Radiology Clinic – Allegro Fund III

On 25 July 2019, Allegro Fund III announced that they had acquired a significant holding of Western Australia's largest diagnostic imaging provider, Perth Radiological Clinic (PRC), in partnership with PRC's doctors.

Established in 1948, PRC is Australia's largest private partner radiology business with more than 80 doctors (partners and employed associates). PRC services hospitals (public and private), specialist centres and suburban clinics across Western Australia. The company offers a complete and integrated range of radiology services including MRI, CT, US, plain films, interventional procedures and nuclear imaging.

Allegro's longstanding relationship with PRC through their prior ownership of I-MED Network (an Allegro Fund I investment from 2011 to 2014), of which PRC was a subsidiary, was a critical factor in securing this unique investment opportunity for Allegro Fund III. This previous involvement provides Allegro with a further understanding of the operational strengths of this business and the increasing growth potential of this sector.

Legend Corporation Limited – Adamantem Capital Fund 1



On 8 August 2019, Adamantem announced that they had acquired all issued shares in Legend Corporation Ltd, a leading engineering solutions provider for the Electrical, Power & Infrastructure and Gas & Plumbing industries.

Legend was an ASX-listed distributor of products, tools, components and accessories into the electrical wholesale and industrial / commercial gas markets. Legend stocks an extensive range of product lines and is a preferred supplier across all major electrical wholesalers in Australia. Legend's products are utilised across a diversified range of end markets, including electrical, power, rail, mining and telecommunications. In business since 1962, Legend now employs over 300 people across Australia in multiple warehouses, manufacturing facilities, testing laboratories and offices.

Legend is a preferred supplier to major electrical wholesalers in Australia and New Zealand and a brand of choice for electrical contractors, power utility and datacoms installers. Legend is renowned for best in class customer service and exceptional on-time delivery with more than 30,000 SKU's.



Squiz – Mercury Capital Fund 3

On 20 August 2019, Mercury Capital Fund 3 entered into an agreement to acquire a shareholding of Squiz Pty Ltd (“Squiz”).

Based in Sydney, Squiz is Australia’s largest Content Management System (xCMS) and Enterprise Search business with approximately 440 employees and operations across Australia, New Zealand, UK, Poland and US. Squiz has established a market leading position in Australia in the highly attractive niches of government and higher education. Additionally, Squiz has developed a strong and successful presence in the UK, securing marquee customers in its core niches. Mercury believes a significant opportunity exists to grow the business in the US market where Squiz has enjoyed significant recent success securing customer contracts in key cities across the USA.

PORTFOLIO STRUCTURE

VPEG3 currently has \$67.4m in commitments and investments across seven underlying Private Equity funds and two co-investments

VPEG3's Portfolio Structure - 30 September 2019

The tables and charts below provide information on the breakdown of VPEG3’s investments as at 30 September 2019.

Current Investment Allocation

The following tables provide the percentage split of each of the VPEG3 entities, current investment portfolio, across cash, fixed interest securities (term deposits) and Private Equity.

The Private Equity component of the portfolio is further broken down by the investment stage (Later Expansion or Buyout) of the underlying investments that currently make up VPEG3’s Private Equity portfolio.

As at 30 September 2019, the Private Equity component of VPEG3, LP’s investment portfolio consisted of eighteen completed investments, which include: Hygain Holdings, Ngahua Group, Endeavour Learning Group, Servian Group, Adventure Holdings Australia Pty Ltd (Oztrail), Mining Technologies Holdings Pty Limited, SILK Laser & Skin Holdings Pty Ltd, Compass Education, South Pacific Laundries, Zenitas Healthcare, Hellers, Delta Agribusiness, Sushi Sushi, Questas Group, FRANKiE4, Perth Radiology Clinics, Legend Corporation Limited and Squiz.

VPEG3,LP			
Cash	Fixed Interest	Private Equity	
21.1%	1.5%	Later Expansion	34.6%
		Buyout	42.8%

Current Investment Allocation Cont.

As at 30 September 2019, the private equity component of VPEG3A's investment portfolio consisted of three investments including; Heritage Lifecare, Fitzpatrick Financial Group and Tribe Brewing.

VPEG3A			
Cash	Fixed Interest	Private Equity	
0.4%	25.5%	Later Expansion	27.3%
		Buyout	46.8%

Private Equity Portfolio

VPEG3, with commitments to seven Private Equity funds and two co-investments, ultimately held interests in 21 underlying company investments at quarter end. As a result, VPEG3's Private Equity portfolio and commitments, as at 30 September 2019, were as follows:

Private Equity Fund Name	Fund / Deal Size	Vintage Year	Investment Focus	VPEG3 Commitment	Capital Drawn Down	Total No. of Investee Companies	No. of Exits
Adamantem Capital Fund 1	\$591m	2017	Mid Market Expansion / Buyout	\$10.0m	\$7.09m	6	-
Odyssey Private Equity Fund 8	\$275m	2017	Mid Market Growth Capital	\$7.0m	\$3.78m	5	-
Advent Partners 2 Fund	\$300m	2017	Mid Market Expansion / Buyout	\$10.0m	\$2.65m	2	-
Allegro Fund III	\$290m	2017	Mid Market Expansion / Buyout	\$12.0m	\$3.03m	4	-
Anchorage Capital Partners Fund III	\$350m	2017	Mid Market Expansion / Buyout	\$10.0m	\$2.36m	1	-
Mercury Fund III	\$600m	2019	Mid Market Expansion	\$7.5m	\$1.05m	1	-
Next Capital Fund IV	\$350m*	2019	Mid Market Expansion	\$10.0m	-	0	-
Co-invest (Fitzpatrick Financial Group)	\$200m	2017	Mid Market Expansion	\$0.25m	\$0.27m	1	-
Co-invest (Tribe Brewing)	\$30m	2018	Mid Market Expansion	\$0.65m	\$0.61m	1	-
Total				\$67.40m	\$20.83m	21	-

*: Target fund size

Summary of VPEG3's Underlying Private Equity Investments

The table below provides an overview of the top ten underlying private equity investments in VPEG3's portfolio.

Rank	Investment	Fund	Description	% of VPEG3's Private Equity Investments	Cumulative %
1	South Pacific Laundries	Anchorage Capital Partners Fund III	Leading national laundry operator	10.8%	10.8%
2	Hygain	Adamantem Capital Fund 1	Australian horse feed & supplement manufacturer & distributor	9.8%	20.6%
3	Compass Education	Advent Partners 2 Fund	Student information system software / services provider	7.0%	27.6%
4	Hellers	Adamantem Capital Fund 1	Producer of processed meats in New Zealand	6.7%	34.3%
5	Heritage Lifecare Limited	Adamantem Capital Fund 1	New-Zealand age-care & retirement village operator	6.2%	40.5%
6	Zenitas Healthcare	Adamantem Capital Fund 1	Community-based healthcare provider	5.5%	46.0%
7	Endeavour Learning Group	Allegro III	Higher education institution in the natural health sector	5.2%	51.3%
8	Questas Group	Allegro III	Network of niche industrial businesses across Australia	5.2%	56.5%
9	Adventure Holdings Australia Pty Ltd (Oztrail)	Odyssey Private Equity Fund 8	Leading outdoor equipment brand	5.0%	61.5%
10	Legend Corporation Pty Ltd	Adamantem Capital Fund 1	Wholesaler and distributor of electrical & gas products	5.0%	66.5%

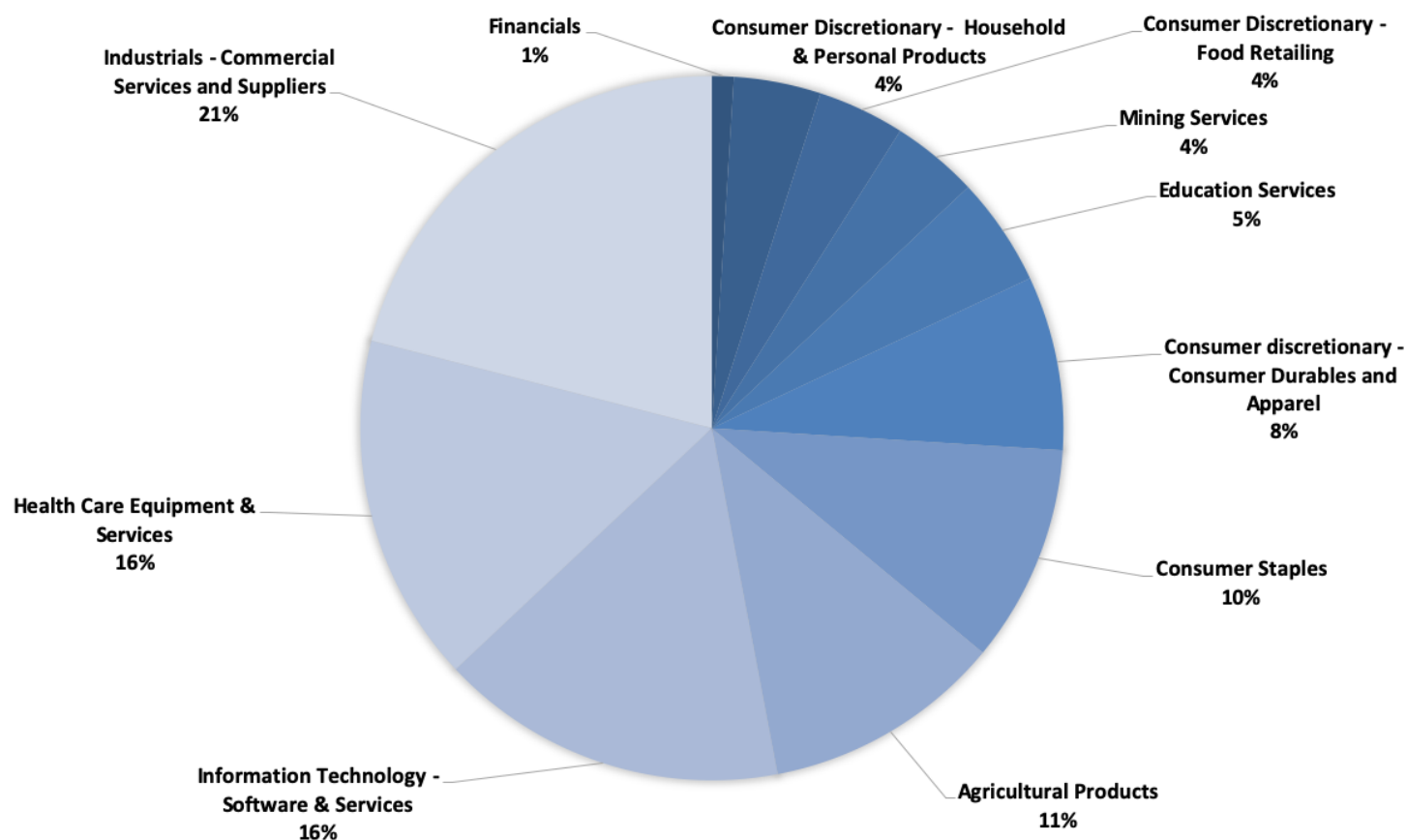
Industry Spread of VPEG3's Underlying Investments

The completion during the quarter of the acquisition of Legend Corporation Limited by investee Adamantem Capital Fund 1 as well as the funding by VPEG3 of the South Pacific Laundry investment (which was previously bridge funded by Anchorage), increased VPEG3's exposure to the "Industrials - Commercial Services and Suppliers" industry sector from 6% to 21%, which subsequently became VPEG3's largest industry sector exposure at quarter end.

Furthermore, the completed acquisition of the underlying investment Squiz, by investee Mercury Capital Fund 3 during the quarter, further increased VPEG3's exposure to the "Information Technology - Software & Services" industry sector from 14% to 16%.

As a result of these new investments, all other industry sector exposures of VPEG3's underlying portfolio, reduced marginally.

Finally, as the acquisition of Perth Radiology Clinics was initially bridge funded by Allegro Fund III, the "Health Care Equipment & Services" industry sector reduced from 22% to 16% as all other new investments were fully funded by VPEG3 during the quarter.



MARKET UPDATE

Market & Economic Conditions

Although the Australian economic growth is lower this year than last, most forecasts are expecting a pick-up in growth in coming quarters as tax cuts and interest rate cuts take effect.

The Reserve Bank (RBA) reduced the cash rate from 1.00% to 0.75% in October 2019 following rate drops in both June and July, which were the first changes in the official cash rate since August 2016. The easing monetary policy is designed to support employment and income growth and to provide greater confidence that inflation will be consistent with the medium-term target. The economy still has spare capacity and lower interest rates will help make inroads into that.

The outlook for the global economy remains reasonable, however, the risks are currently tilted slightly to the downside. The US / China trade and technology negotiations are affecting international trade flows and investment as businesses scale back spending plans because of the increased uncertainty. At the same time, in most advanced economies, unemployment rates are low and wages growth has picked up, although inflation remains low.

The lower to mid-market private equity sector in Australia and New Zealand, however, continues to remain attractive with a good flow of activity occurring within the market throughout the quarter. As a result, the flow of investment opportunities for VPEG3's underlying funds continues to be encouraging with many opportunities progressing to final Due Diligence stage during the quarter, which will likely see further additions to VPEG3's underlying portfolio through to the end of calendar year 2019 and into 2020.

CONTACT DETAILS

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