



QUARTERLY REPORT



VANTAGE PRIVATE EQUITY GROWTH 5

QUARTERLY INVESTOR REPORT
31 DECEMBER 2021

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 5, 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. 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.

SUMMARY

Vantage Private Equity Growth 5 ('VPEG5') is a multi-manager Private Equity investment fund structured as an Australian Fund of Funds Limited Partnership.

VPEG5 is also registered with the Australian Government Department of Industry, Innovation and Science as a complying investment for the Significant Investor Visa and Investor Visa (S)IV investment framework, focused on investing in the lowest risk sector, of the Venture Capital or Private Equity (VCPE) segment, Growth Private Equity.

VPEG5 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 from its Private Equity investments while keeping the volatility of the overall investment portfolio low. This will be achieved by investing across a highly diversified portfolio of Private Equity assets, particularly profitable companies with proven products and services, with diversification obtained by allocating across fund manager, financing stage, industry sector, geographic region and Vintage Year.

VPEG5 will invest 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 of between \$25m and \$250m at investment.

VPEG5 will develop a diversified portfolio of underlying investments by investing into between 6 to 8 underlying Private Equity funds, focused on investments into profitable companies in growth industry sectors including the Healthcare, Consumer Discretionary, Education and Tourism sectors.

VPEG5 plans to make its first investment commitment during the March 2022 quarter with the investment team currently performing rigorous due diligence across a number of the strongest performing Private Equity managers in Australia, who are currently raising or plan to raise a new lower to mid-market focused later expansion or buyout fund in the near future

SPECIAL POINTS OF INTEREST

VPEG5 completes a first close of \$37.0 million on 17 December 2021

As at 31 December 2021, Vantage Funds had exited (sold) 70 underlying investments, which have generated a 3.1x multiple of invested capital for an average gross return of 41.8% per annum

VPEG5 only makes investments into, or alongside, later expansion and buyout funds that target the consistently strong performing, lower to mid-market segment of Private Equity in Australia

VPEG5's lower to mid market strategy will ultimately comprise of a diversified portfolio of investments with an enhanced ability to generate stronger, more consistent returns to investors

PERFORMANCE

On 17 December 2021, VPEG5 successfully completed its first close with over 212 investors committing approximately \$37.0 million of capital to the Fund. VPEG5 will remain open for investment for investors across 2022 conducting monthly closes until its target fund size of \$250m is reached.

During the period 1 October 2021 to 31 December 2021, the Vantage investment team spent considerable time conducting due diligence across a number of Private Equity firms raising funds to invest within the Australian and New Zealand lower to mid-market segment.

As at 31 December 2021, VPEG5 had called 5% of investor's Committed Capital (Call No. 1) into the Fund's operating account, to cover initial establishment costs and management fees and to provide the capital required to meet the initial call notices, from underlying funds, to invest in new underlying company investments as they are completed.

VANTAGE FUNDS CONTINUE TO PRODUCE STRONG RISK ADJUSTED RETURNS FOR INVESTORS

Strong underlying company performance across the second half of 2021 contributed to Vantage's Funds delivering strong risk adjusted returns to Investors.

As at 31 December 2021, Vantage managed funds had made investments across 27 Australian Private Equity Funds, who in turn had invested in 149 companies across a broad range of industry sectors and had exited (sold) 70 of these investments generating a 3.1 X multiple of invested capital for an average gross return of 41.8% per annum.

These results demonstrate Vantage's proven Private Equity investment strategy, that focuses entirely on expansion and buyout investing into profitable private companies operating in the lower to mid-market segment in Australia and New Zealand. Private Equity Managers operating within this segment of the market are able to acquire companies at fair value and utilise their experience and expertise to implement strategic growth initiatives, to create significant value for each portfolio company that they invest in.

TARGET INVESTMENT FOCUS OF THE FUND

VPEG5 will only make investments into, or alongside, later expansion and buyout funds that target the consistently strong performing, lower to mid-market segment of Private Equity in Australia, where businesses typically have an enterprise value of between \$25m - \$250m at initial investment.

This segment of Private Equity is attractive due to the following reasons;

- There is less competition for deals, businesses can be purchased at lower purchase multiples and lower levels of debt are utilised in this segment than the highly competitive, large or mega market private equity fund space, that is dominated by global private equity firms.
- The majority of growth in value of private equity backed businesses in this segment is generated by sustainable earnings enhancement rather than the financial engineering or cost cutting approach that is typical of the larger market space.
- Private Equity executives work more actively in partnership with the management of portfolio companies in this segment and bring deep financial and business skills as well as the broad networks and experience that are essential for transformational business growth.

This segment also benefits from the ability for Private Equity funds to exit (or sell) portfolio companies by several different methods, including;

- An Initial Public Offer (or listing on a public market)
- A Trade Sale to a larger industry player or
- As a "Secondary Sale" to a larger, often global, private equity fund.

This creates pricing tension amongst purchaser's, ultimately driving up price and delivering a higher return on initial invested capital to the private equity funds and their investors.

VPEG5's lower to mid market focus will ultimately develop a portfolio of investments with an enhanced ability to generate stronger, more consistent returns to investors while maintaining a lower level of risk across the portfolio which is especially important during these times of high volatility across public equity markets globally.

MARKET & ECONOMIC CONDITIONS

In Australia, the December quarter commenced with the reopening of New South Wales and Victoria following a stringent lockdown period instituted in response to the outbreak of the COVID-19 Delta variant. With this easing in restrictions, the economy rebounded quicker than previously anticipated, supported by the return of domestic tourism in the eastern Australian states and the surge in retail sales from the release of pent-up demand and robust pre Christmas trading.

During December, evidence of the new COVID-19 variant was detected in Australia and since then, the number of cases has continuously increased, particularly in New South Wales and Victoria. The spread of the Omicron variant has had considerable social and economic impacts domestically, including the material contraction of consumer spending.

The near-term outlook for both Australia and New Zealand looks very positive in broad terms. Both economies are growing at rates well above trend and consumer and business sentiment remains strong. Inflationary pressures are more obvious in New Zealand, while CPI growth in Australia remains comfortably within the RBA's target band. Both countries are operating essentially with full employment and job shortages are more of an ongoing issue than unemployment statistics.

Public markets continued to climb during the quarter before cooling in the last weeks of January 2022 to a 6-month low. Corporate cash balances are at elevated levels following a period of under investment and there remains plenty of dry powder within private equity funds.

Deal flow was strong through the quarter but tailed off significantly towards the end of the calendar year. There were 15 buyout transactions announced or completed (11 in Australia and four in New Zealand) and 17 private equity exits (14 in Australia and three in New Zealand) during the quarter. Of the buyout transactions, nine were in healthcare sector, three in consumer, two in business services and one in software. Regarding the exits, the majority were to trade buyers, with 13 announced, and four were secondary private equity transactions.

CONTACT DETAILS

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