

QUARTERLY REPORT

VANTAGE PRIVATE EQUITY GROWTH 5

QUARTERLY INVESTOR REPORT
30 JUNE 2022

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 consisting of Vantage Private Equity Growth 5, LP (VPEG5, LP) an Australian Fund of Funds (AFOF) Limited Partnership and Vantage Private Equity Growth Trust 5A (VPEG5A) an Australian Unit Trust.

VPEG5, 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.

VPEG5A 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 VPEG5 Investors that are not SIV investors, are unit holders in VPEG5A. VPEG5A also qualifies as a Managed Investment Trust (MIT) for Australian Tax purposes.

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 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 values between \$25m and \$250m at investment. VPEG5's diversified portfolio focuses on investments into profitable companies in growth industry sectors including the Health Care, Consumer, Industrials, Information Technology and Agricultural Products sectors.

To date VPEG5 has made investment commitments totalling \$97 million across five primary private equity funds and two co-investments. As a result, six unique underlying investments exist within VPEG5's portfolio. VPEG5's investment commitments include \$20 million to each of Anchorage Capital Partners Fund IV, Allegro Fund IV, Advent Partners 3 Fund, CPE Capital 9 and \$15 million to Mercury Capital Fund twenty2. VPEG5's co-investments include \$1 million into each of Gull New Zealand and EventsAir.

PERFORMANCE

SPECIAL POINTS OF INTEREST

VPEG5 makes a \$15 million investment commitment to Mercury Capital Fund twenty2, a mid-market growth private equity focused fund

CPE Capital 9 completes an investment in Direct Group, Australia's leading digital and direct-to-consumer company exclusively focused on the over 45 demographic

As at 30 June 2022, VPEG5 has \$97 million of investment commitments across five private equity funds and two co-investments. As a result, six unique underlying portfolio companies exist within VPEG5's underlying portfolio

As at 30 June 2022, VPEG5 had called 15% of investors Committed Capital (Capital Calls No.1 & 2) to fund the required calls from underlying private equity funds for the Fund's share of six completed investments to date.

Given the majority of underlying investments have been held in the portfolio for less than twelve months, a number of these are held at cost.

Drawdowns during the quarter from VPEG5 totalling \$3,547,825, were paid to underlying funds Allegro Fund IV and CPE Capital 9. The calls were predominantly used to fund new underlying portfolio company investments completed during the quarter, along with the working capital requirements and due diligence costs incurred in completing new investments.

Due to the drawdowns paid to underlying funds, VPEG5 issued capital calls during May 2022, totalling 10% of investors committed capital (5% called by VPEG5, LP and 5% called by VPEG5A). As a result, at 30 June 2022 VPEG5, LP and VPEG5A had called 10% & 5% respectively of investors Committed Capital to VPEG5 (15% on a consolidated basis) to fund the required calls from underlying Private Equity funds for VPEG5's share of the six unique company investments completed to date and added to VPEG5's portfolio.

During the quarter, VPEG5 received distributions totalling \$1,058,633 from underlying fund CPE Capital 9. The distribution from CPE Capital 9 was due to the sale of the non-core assets of underlying portfolio company Rocla/Civilmart during the period. This sale was in line with CPE management's investment thesis to realise an early return of capital to investors, including VPEG5. Accordingly, the income component of the distribution above will be distributed to VPEG5's investors in October.

VPEG5's private equity managers continue to build their fund portfolios as well as focusing on portfolio management. Managers are focused on making sure each portfolio company, and each new investment added to the portfolios, are well equipped to sustain profitability through the current inflationary period. While managers recognise that inflation causes some near-term pressures, their investment approach continues to remain unchanged as they continue to pursue select thematic investment strategies into companies and sectors that demonstrate medium-term growth characteristics.

PORTFOLIO DEVELOPMENTS

During the June 2022 quarter, VPEG5 continued its private equity investment program receiving investment committee approval to make a \$15 million investment commitment to Mercury Fund twenty2 managed by mid market, growth private equity fund manager, Mercury Capital of Sydney, Australia.

As a result, VPEG5 has made a total of \$97 million of investment commitments across five primary private equity funds and two co-investments.

VPEG5's underlying portfolio comprises of six unique company investments that have been either announced or completed at quarter end. This includes the new investment completed by CPE Capital 9 into Direct Group, Australia's leading digital and direct-to-consumer company exclusively focused on the over 45 demographic. Based in Sydney, Direct Group owns a number of shopping outlets that target direct sales to consumers, including TVSN shopping channel, Reader's Digest Magazine, online pet store "House of Pets" and womenswear business "Victoria Hill".

VPEG5's managers continue to report that there are several interesting potential investment opportunities that meet their investment criteria. VPEG5's underlying managers remain actively engaged in late-stage due diligence and negotiations on a number of potential investment opportunities, which once completed, will be added to VPEG5's portfolio across the short to medium term.

OVERVIEW OF NEW INVESTMENT COMMITMENT

MERCURY CAPITAL FUND TWENTY2

In June 2022, Vantage Private Equity Growth 5 completed a \$15 million investment commitment to Mercury Fund twenty2.



Mercury Capital Fund twenty2 ("Mercury twenty2") managed by Mercury Capital Investments Pty Ltd of Sydney is a \$1 billion middle market growth private equity fund.

Mercury Capital has established itself as a leading private equity manager in Australasia over the past 12 years. Mercury's core focus is investing in established businesses with market leading positions. They seek to add value through developing and executing a strategic plan to generate growth. Mercury's approach is to work closely in partnership with existing owners and managers to enable a business to realise its full growth potential.

Mercury's founder Clark Perkins, along with its three other Partners have in excess over 70 years of combined private equity experience which, when combined with the extensive direct investment experience of the independent members of the Mercury board, provides for a strong team with a broad range of skills, deep investment experience as well as a well established track record of success.

OVERVIEW OF NEW UNDERLYING INVESTMENT

DIRECT GROUP - CPE CAPITAL 9

In May 2022, CPE Capital 9 announced the acquisition of Direct Group, Australia's leading digital and direct-to-customer consumer company. Direct Group is one of Australia's leading direct to consumer retailers. It is a trusted provider of products



The Group markets and sells in Australia, New Zealand and Asia communicating directly with its customers through online, print, television and digital publishing.

The business operates through two divisions:

- I. **Innovations:** A leading direct to consumer retailer with a portfolio of online, social and catalogue brands. Included within Innovations is the Direct Publishing division comprising digital and print content platform including Reader's Digest, Over60, WYZA and Handyman.
- II. **TVSN:** Australia's leading video e-commerce retailer with a live and on-demand presence, e-commerce sites and mobile application.

Both divisions offer a broad range of merchandise across apparel, jewellery, homewares, health, beauty, craft, bed linen, electronics, books, entertainment and pets. Products are sourced through well-established international and local supply chains.

Direct Group's head office and supporting infrastructure of TV and design studios, online marketing teams, contact centres, editorial team, integrated product sourcing and customer order fulfilment are located on 5.3 hectares in the northern suburbs of Sydney, Australia.

Direct Group is well positioned to grow by leveraging structural tailwinds in global retail for digital shopping, visual marketing and engagement.

PORTFOLIO STRUCTURE

VPEG5'S PORTFOLIO STRUCTURE

The tables and charts below provide information on the breakdown of VPEG5's investments as at 30 June 2022.

CURRENT INVESTMENT PORTFOLIO ALLOCATION

The following table provides the percentage split of each of the VPEG5's 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 VPEG5's Private Equity portfolio.

VPEG5 Portfolio Structure			
Cash	Fixed Interest Investments	Private Equity	
1.9%	49.4%	Later Expansion	6.7%
		Buyout	42.0%

PRIVATE EQUITY PORTFOLIO

The tables and charts below provide the percentage split of VPEG5's current investment portfolio across cash, fixed interest securities (term deposits) and private equity.

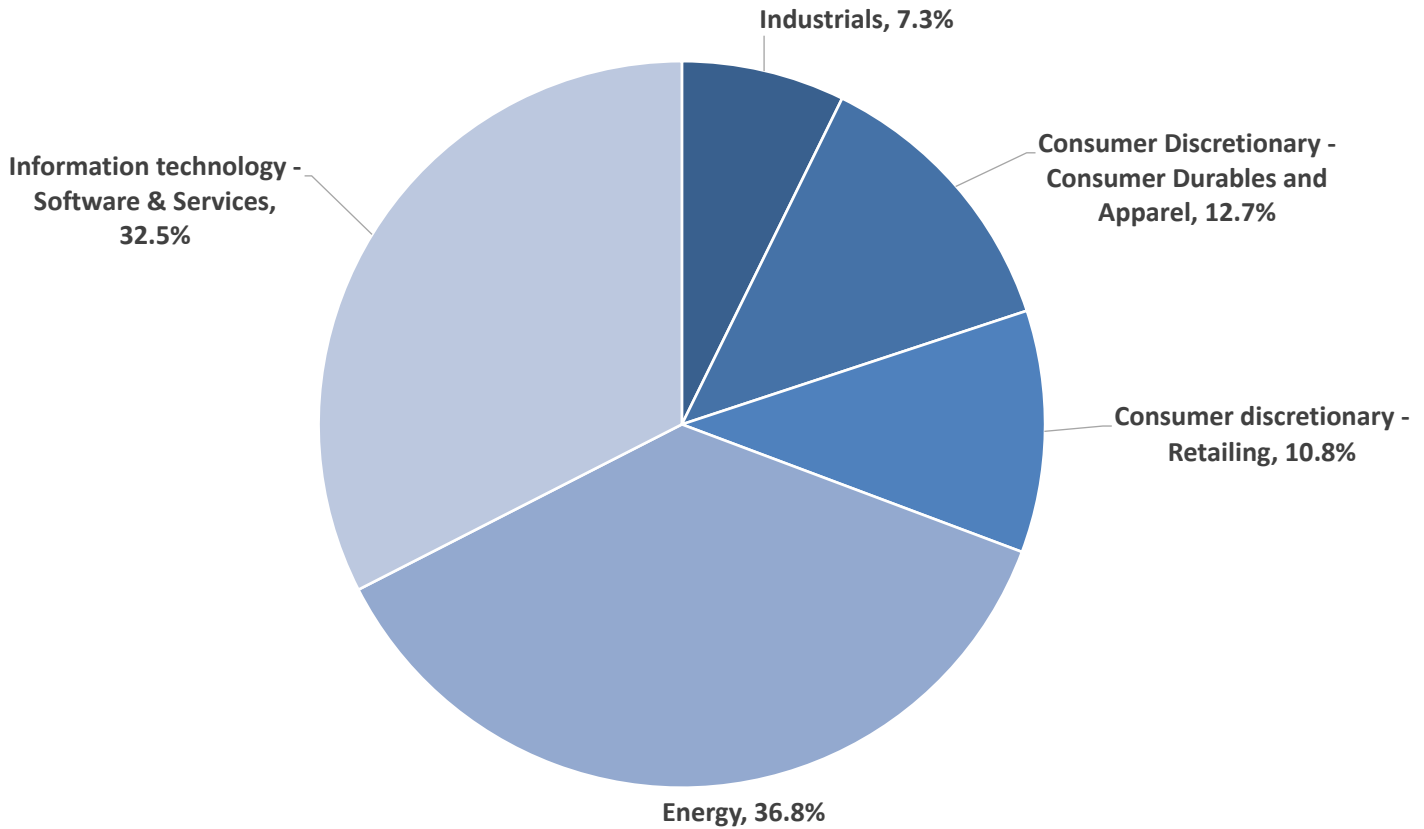
Private Equity Fund Name	Fund / Deal Size	Vintage Year	Investment Focus	VPEG5 Commitment	Total No. of Investee Companies	
CPE Capital 9	\$780m	2020	Mid Market Buyout	\$20.0m	3	
Advent Partners 3 Fund	*\$500m	2021	Lower to Mid Market Expansion / Buyout	\$20.0m	1	
Allegro Fund IV	\$750m	2021	Mid Market Turn-around	\$20.0m	1	
Anchorage Capital Partners Fund IV	*\$500m	2022	Mid Market Expansion / Buyout	\$20.0m	-	
Mercury Capital Fund twenty2	\$1.0bn	2022	Mid Market Expansion / Buyout	\$15.0m	-	
Co-investment No.1 Gull New Zealand	~\$500m	2022	Mid Market Special Situations	\$1.0m	1	
Co-investment No.2 EventsAir	~\$100m	2022	Lower to Mid Market Expansion / Buyout	\$1.0m	1	
				Total	\$97.0m	6**

* Target Fund size

** Excluding Duplicates

INDUSTRY SPREAD OF VPEG5'S PORTFOLIO

As a result of Allegro Fund IV's investment into Gull New Zealand as well as VPEG5's Co-investment to this investment alongside Allegro Fund IV, VPEG5's exposure to the "Energy" industry sector, represented VPEG5's largest industry sector exposure, representing 36.8% of the Funds total private equity portfolio at June quarter end.



Figure; Industry Diversification of VPEG5's Underlying Portfolio Diversification

ECONOMIC & MARKET CONDITIONS

Australian and global markets experienced an eventful June quarter, as governments and central banks continued to navigate the economic fall-out of the pandemic, the Russian invasion of Ukraine and domestically, the flooding crisis in New South Wales and Queensland.

The dominant economic concern emanating from these events is the surge in inflation. As CPI measures trend to historical highs in many countries, central banks have commenced policy tightening measures in an effort to combat the rising cost of living. A major contributing factor in Australia has been energy costs, which have not only been impacted by ongoing supply issues from Russia, but a reduction in the thermal power domestically due to unplanned outages at multiple generators. This has been exacerbated by a sharp increase in demand resulting from extreme weather events in New South Wales and Queensland. The east coast floods have also significantly impacted the supply of fresh fruits and vegetables, driving up the price of food and further contributing to the spike in inflation.

The Reserve Bank of Australia (RBA) responding to inflationary pressures with three consecutive cash rate increases of 50 basis points in June, July and August, bring the overall cash rate to 1.85%. The RBA have indicated that further increases to the cash rate are likely over the remainder of the calendar year, as they endeavor to bring the inflation rate of 6.1% for the twelve months to June 2022, back in the 2-3% target range.

On a positive note, in April 2022, the Australian Government announced a relaxing of testing requirements for all travellers to Australia. This has since stimulated inbound tourism, with (at current rates) numbers forecast to reach pre-pandemic levels by the end of the calendar year. Further, Australian consumer spending is still riding the re-opening momentum that emerged from previous lockdowns. It continues to be supported by the high level of household savings accumulated over the pandemic, a dynamic that is expected to endure through the September quarter. Underpinning this is Australia's strong labour market, where key employment measures such as unemployment, underemployment and participation rates are trending at positive historical levels. These factors will allow Australia to approach the challenging economic period ahead from a position of strength, with households and businesses better equipped to weather the storm.

Despite the uncertainty, M&A activity remained strong, with a record \$140 billion worth of deals being announced in Australia and New Zealand in the first six months of 2022. This represents the highest value of completed deals within a six-month period since 2007. In private equity 11 buyout deals were completed (ten in Australia and one in New Zealand) as well as four exits (all in Australia). There has been an uptick of activity across the June 2022 quarter, with a number of high quality opportunities within the lower to mid market segment presented to VPEG5's underlying managers. As such, VPEG5's managers are starting to enter into later stage negotiations on a number of transactions, which once completed, will be added to VPEG4's portfolio across the remainder of the 2022 calendar year.

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