

# QUARTERLY REPORT

# VANTAGE PRIVATE EQUITY GROWTH 5

QUARTERLY INVESTOR REPORT  
31 DECEMBER 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

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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.

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 \$158 million across eight primary private equity funds and three co-investments. As a result, ten unique underlying investments exist within VPEG5's portfolio. VPEG5's investment commitments include \$20 million to each of Adamantem Capital Environmental Opportunities Fund, Advent Partners 3 Fund, Allegro Fund IV, Anchorage Capital Partners Fund IV, CPE Capital 9, Next Capital Fund, and Riverside Australia Fund IV, and \$15 million to Mercury Capital Fund twenty2. VPEG5's co-investments include \$1 million to each of Gull New Zealand, EventsAir and CompareClub.

## SPECIAL POINTS OF INTEREST

*VPEG5 makes a \$20 million investment commitment to Adamantem Capital Environmental Opportunities Fund, focused on investment into businesses that have a positive environmental impact*

*VPEG5 makes a \$20 million investment commitment to Next Capital V, which subsequently completes an investment in Country Care Group*

*CPE Capital 9 completes an investment in Ambrose Construction Group, a specialised project management and head contractor to insurance companies operating in Australia*

*Anchorage Capital Partners Fund IV announces the acquisition of Australia's pre-eminent omni channel retailer of world class brands, David Jones*

*As at 31 December 2022, VPEG5 has \$158 million of investment commitments across eight primary private equity funds and three co-investments. As a result, ten unique underlying portfolio companies exist within VPEG5's underlying portfolio*

# PERFORMANCE

Drawdowns during the quarter from VPEG5 totalled \$3,212,750. This included capital called by CPE Capital 9 for VPEG5's share of the investment in Ambrose Construction Group, as well as to Allegro Fund IV for the management fees and working capital requirements in relation to that fund.

Due to the drawdowns paid and to be paid to underlying funds, VPEG5, LP issued capital call no.3 totalling 5% of investors committed capital to the Fund on 19 October 2022. As a result, at 31 December 2022 VPEG5, LP and VPEG5A had called 15% and 5% respectively of investors committed capital to VPEG5 (20% of a consolidated basis) to fund VPEG5's share of the ten unique company investments announced and completed to date.

Given that 70% of the underlying investments have been held in the portfolio for less than twelve months, a number of companies still remain to be held at cost in line with the International Private Equity Valuation Guidelines adopted by the Australian Investment Council (AIC). As VPEG5's private equity portfolio matures and the hold period of each underlying investment increases beyond an initial 12-month period, VPEG5's underlying fund managers will revalue their portfolio companies at the end of each quarterly period, based on a multiple of the last twelve months of maintainable earnings of the relevant company.

During the quarter, VPEG5 received distributions totalling \$241,636 from Allegro Fund IV, in relation to Co-investment No.2 Gull New Zealand. The distribution was as a result of a New Zealand based strategic investor recently buying into Gull New Zealand alongside Allegro and other co-investors, including VPEG5.

The ongoing uncertainty of public markets and the broader economy is expected to benefit VPEG5 as the portfolio matures. Vendor concerns of the loss of public markets as a potential source of capital is expected to broaden the ability for VPEG5's managers to perform strategic, cost-effective acquisitions as sector multiples begin to decline. Furthermore, given VPEG5's strategy to only make commitments to top tier performing private equity managers that only invest into established, profitable businesses in the lower to mid market, heightened short-term market volatility is expected to provide additional attractive buying opportunities for Vantage's underlying managers to continue to add companies to VPEG5's portfolio.

## PORTFOLIO DEVELOPMENTS

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During the December 2022 quarter, VPEG5 continued its private equity investment program receiving investment committee approval to make a \$20 million investment commitment to Adamantem Capital Environmental Opportunities Fund, as well as a \$20 million investment commitment to Next Capital Fund V.

As a result, VPEG5 had made \$158 million of investment commitments across eight primary private equity funds and three co-investments at quarter end.

VPEG5's underlying portfolio comprised of ten unique company investments that have been either announced or completed at quarter end. This included the new investment by CPE Capital 9 into Ambrose Construction Group, a specialised project management and head contractor to insurance companies operating in Australia. In addition, Anchorage Capital Partners Fund IV announced the acquisition of David Jones, Australia's pre-eminent omni channel retailer of world class brands. This transaction is expected to be completed in March 2023. Finally during December 2022, Next Capital Fund V completed an investment into Country Care Group, Australia's largest importer / wholesaler and retailer of products to the assisted living and aged care sectors, with a regional focus.

VPEG5's underlying managers report that there is a promising deal pipeline, as there are several investment opportunities that meet their investment criteria that, subject to extensive due diligence and negotiations on terms could be completed in the next three to six months.

# OVERVIEW OF NEW INVESTMENT COMMITMENTS

## ADAMANTEM CAPITAL ENVIRONMENTAL OPPORTUNITIES FUND

During October 2022, VPEG5's investment committee approved of a \$20 million investment commitment to Adamantem Capital Environmental Opportunities Fund.



Adamantem Capital Environmental Opportunities Fund ("EOF" and/or "the Fund") managed by Adamantem Capital (Adamantem) of Sydney, is a target \$350 million Fund focused on investment into established businesses across Australia and New Zealand that will ultimately enable or benefit from the transition to a net zero economy or other positive environmental trends.

Founded in 2016, Adamantem Capital is a private equity manager with market-leading capabilities in responsible and impact investing. The business has established seasoned professionals with specialist expertise, composing a stable and diverse team of 18 investment professionals, in addition to an Investment Committee with a combined 25+ year of Australian mid market private equity experience, as well as a dedicated Portfolio Operations team and a fully-integrated Responsible Investment & Impact team.

Adamantem's EOF strength lies in its' ability to unlock and transform constrained businesses, through responsible investing, partnerships with existing management and hands-on investment approach. The investment team have had significant experience from a number of highly successful private equity investments in Australia and New Zealand, including a recent transaction within the targeted thematic (Climate Friendly).

## NEXT CAPITAL FUND V

During November 2022, VPEG5 completed a \$20 million investment commitment to Next Capital Fund V.



Next Capital Fund V ("Next V" or "the Fund") managed by Next Capital Management Pty Limited of Sydney, is a target \$350 million Fund focused on investment into the lower to mid market expansions and buyout opportunities across Australia and New Zealand.

Next Capital Management is one of the longest standing independent private equity firms in Australia, specialising in growth capital opportunities with a focus on the lower to mid market buyout segment. Next has a highly experienced team, with the senior team having one of the longest investing track records in Australia and New Zealand, dating back to 1987 when the Founding Partners led the successful private equity business of Macquarie Bank in Australia for over 22 years.

Next Capital believe that companies within the lower to mid market segment are able to grow more rapidly than their larger counterparts. Next Capital's partnership philosophy towards investee relationships means that experienced, capable management teams and company stakeholders can execute their expansion plans confident of support from Next Capital. Next Capital's operational focus, extensive networks and industry expertise has seen them successfully build niche market leaders across many industry segments.

## OVERVIEW OF NEW UNDERLYING INVESTMENTS

### AMBROSE CONSTRUCT GROUP – CPE CAPITAL 9

During October 2022, CPE Capital 9 completed an investment in Ambrose Construct Group, a specialised project management and head contractor to insurance companies operating in Australia through the undertaking of large volumes of primarily residential building repair work, with a particular focus on weather related repair events.



The Ambrose Construct Group combines Ambrose Building (founded 2008), Construct Services (founded 1989), Marshall Restorations (founded 1977), Xtreme Clean Restoration & Sanitisation (founded 2020), Collective Trade Services, EnsureFlow and Scope IT Services.

The Group's combined depth of experience across insurance building and restoration portfolio specialisations, including national catastrophe response, sets the business apart from many insurance service providers nationally. Ambrose Construct Group brings together Australia's most talented and experienced team, empowered by world class technologies to set a new standard in insurance repair and restoration services. Together Ambrose aims to deliver best-in-class outcomes for their clients and their insured customers.

### DAVID JONES – ANCHORAGE CAPITAL PARTNERS FUND IV

During December 2022, Anchorage Capital Partners Fund IV announced the acquisition of David Jones, Australia's pre-eminent omni channel retailer of world class brands.

**DAVID JONES**

David Jones is Australia's premier omni-channel department store and an iconic Australian brand, positioned as a premium and luxury offering with complementary services across fashion and beauty with an 184 year heritage. It has a store network of 43 stores across Australia and New Zealand, with over 50 million in-store visits per annum and a deep customer base.

Over the past two years, performance has been impacted by COVID lockdowns and restrictions. Further, the business was owned by an offshore parent who is increasing their focus on other operations across their group. Accordingly, Anchorage Capital Partners have identified several key investment levers that provide a clear path to uplift earnings.

## COUNTRY CARE GROUP - NEXT CAPITAL FUND V

During December 2022, Next Capital Fund V completed an investment in Country Care Group, an Australian wholesaler and retailer of products to the assisted living and aged care sectors.



Founded in 1997, the business is one of Australia's largest assistive living wholesaler and retailer, with a network of 18 retail stores and 143 member store locations across Australia. Country Care employs over 320 staff and is headquarter in Mildura, Victoria.

The business operates through three interrelated segments;

- I. Manufacturing and Wholesale: Manufacture of assistance living products through its brand 'KCare' for wholesale and retail distribution. Customers include retail stores (third party and its own retail stores), government healthcare agencies, hospitals, aged care and veterinary businesses. Country Care manufactures products within Australia with two facilities in Adelaide and Sydney
- II. Retail: Retail stores that services individual retail clients, therapists-supporting clients, government healthcare agencies, hospitals and aged care. Products are sourced from Country Cares manufacturing arm as well as third party branded products
- III. Contracts: Contracts that service government agencies. Country Care utilises its own retail stores as well as its member stores to help fulfil state and national government contracts.

Country Care represents a highly attractive opportunity in a stable core end market, with demand driven by an aging population, a non-discretionary product set, and high government funding rates.

# PORTFOLIO STRUCTURE

## VPEG5'S PORTFOLIO STRUCTURE

The tables and charts below provide information on the breakdown of VPEG5's investments as at 31 December 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	
36.8%	4.5%	Later Expansion	36.4%
		Buyout	22.3%

# PORTFOLIO STRUCTURE

## PRIVATE EQUITY PORTFOLIO

The table below provides a summary of VPEG5's approved private equity portfolio and commitments as at 31 December 2022

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	4	
Advent Partners 3 Fund	*\$500m	2021	Growth Capital, Later Stage 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	1	
Riverside Australia Fund IV	\$450m	2022	Growth Capital, Later Stage Expansion & Buyout	\$20.0m	-	
Mercury Capital Fund twenty2	\$1.0bn	2022	Mid Market Expansion / Buyout	\$15.0m	-	
Adamantem Capital Environmental Opportunities Fund	*\$350m	2022	Growth Capital, Later Stage Expansion & Buyout	\$20.0m	-	
Next Capital Fund V	*\$350m	2022	Growth Capital, Later Stage Expansion & Buyout	\$20.0m	1	
Co-investment No.1 Gull New Zealand	~\$500m	2022	Mid Market Special Situations	\$1.0m	1	
Co-investment No.2 EventsAir	~\$100m	2022	Later Stage Expansion	\$1.0m	1	
Co-investment No. 3 Compare Club	\$110m	2022	Later Stage Buyout	\$1.0m	1	
* Target Fund size ** Excluding Duplicates, completed deals as at 31 December only				<b>Total</b>	<b>\$158.0m</b>	<b>10*</b>

### INDUSTRY SPREAD OF VPEG5'S PORTFOLIO

Next Capital Fund V's investment in Country Care Group during December 2022 commenced VPEG5's exposure to the "Health Care Equipment & Services" industry sector which represented 13.3% at quarter end.

Due to CPE Capital 9's acquisition of Ambrose Construct Group during October 2022, VPEG5's exposure to the "Industrials – Commercial Services & Suppliers" industry sector, commenced at 15.1% at quarter end.

VPEG5's exposure to the "Energy" industry sector, which consists of the investment in Gull New Zealand represents VPEG5's largest industry sector exposure at 22.2% of VPEG5's total Private Equity portfolio at the December quarter end.

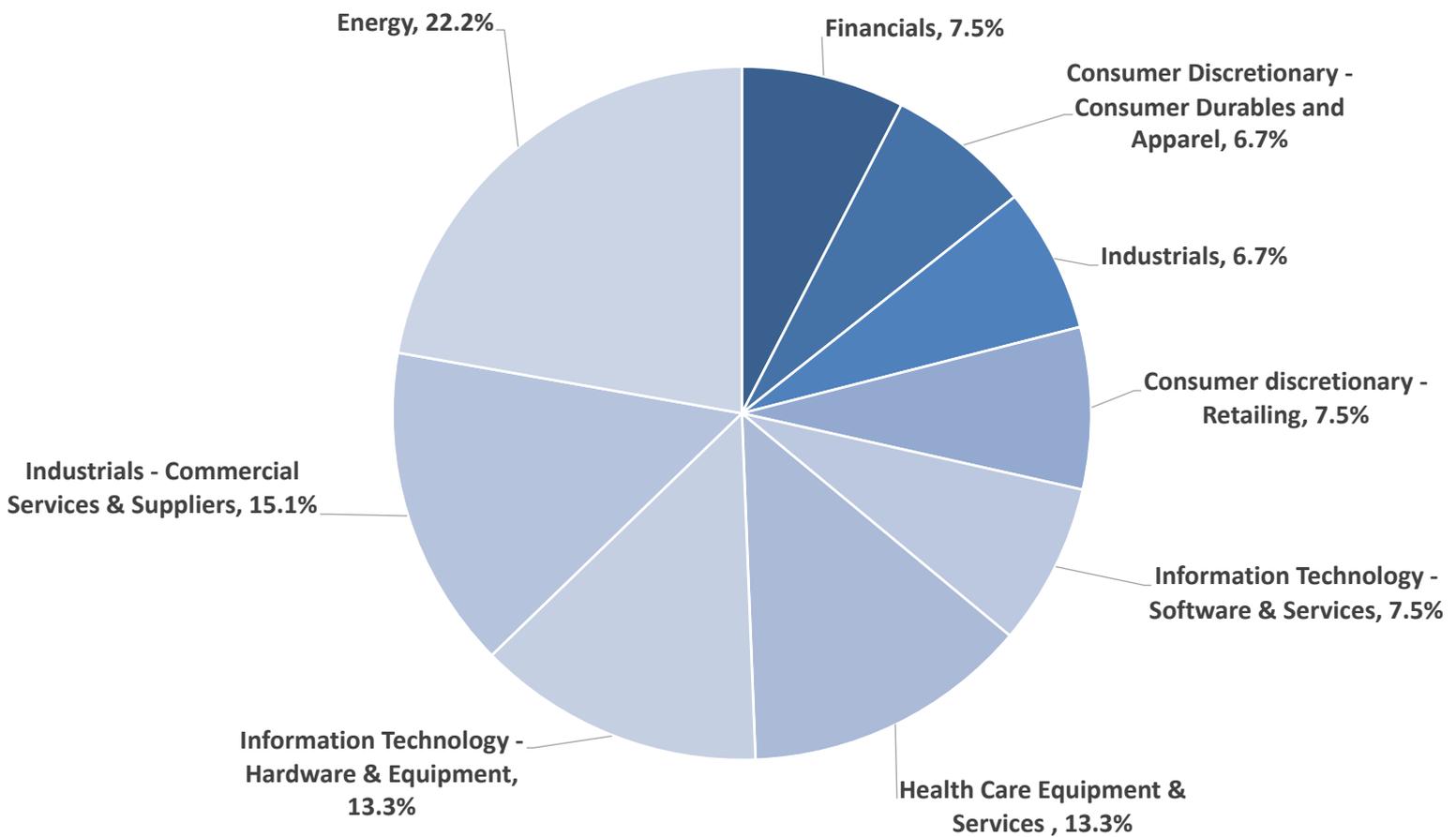


Figure: Industry Spread of VPEG5's Underlying Portfolio

## ECONOMIC & MARKET CONDITIONS

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The Australian economy continued to show resilience during the final quarter of 2022, with consumption activity remaining buoyant despite a significant drop off in consumer sentiment. Aggregate spending was held up by high levels of employment, a drawing down of savings, and the remnants of catch-up spending associated with the pandemic. Australia's GDP expanded +0.6% quarter on quarter and +5.9% year on year in Q3-22.

Inflation continued to edge higher during the December quarter, with annual headline and core inflation running at 7.8% and 6.9% respectively, the highest levels since the early 1980s. Australia's labour market is operating beyond full capacity, with an unemployment rate of 3.5% and nominal wages growing by 1.2% over the December quarter and 3.5% over the past 12 months.

This quarter, the new Albanese Government handed down their first Budget, with new spending initiatives largely offset by savings measures to ensure fiscal policy was not stoking inflation. The RBA ratcheted up the cash rate by 300 basis points over eight consecutive months, sitting at 3.1% as at the end of December with the RBA expected to lift the cash rate by a further 25bps in Q1, 2023.

The current consensus macroeconomic forecast is for Australia to experience a slowdown in economic growth in 2023 to 1.9% but not to enter a recession.

In New Zealand, a similar trend in can be observed, with real GDP growth set to slow to 1% in 2023, owing to weakening private demand and falling real incomes. Following the gradual easing of COVID-19-related restrictions, growth has picked up and consumer and business sentiment has improved, although remains quite depressed. Border re-opening has contributed to a surge in tourist arrivals, albeit to levels that remain much lower than before the pandemic.

Private equity origination activity remained quite robust in Q4 with 8 new buyout transactions announced or completed over the period. Notably most of these were at the smaller end of the market, with limited availability of financing and tighter covenants impacting deal execution for large buyouts. There has been an uptick of activity across the December 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 VPEG5's portfolio across the 2023 calendar year.

## CONTACT DETAILS

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## GENERAL PARTNER & INVESTMENT MANAGER

General Partner: Vantage Private Equity Management Partnership, LP

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