

# QUARTERLY REPORT

# VANTAGE PRIVATE EQUITY GROWTH 5

QUARTERLY INVESTOR REPORT  
30 JUNE 2023

DIVERSIFY  
GROW  
OUTPERFORM



# TABLE OF CONTENTS

- 3** SUMMARY
- 4** PERFORMANCE
- 5** PORTFOLIO DEVELOPMENTS
- 6** OVERVIEW OF NEW CO-INVESTMENT COMMITMENT
- 6** OVERVIEW OF NEW UNDERLYING INVESTMENT
- 7** PORTFOLIO STRUCTURE
- 10** MARKET & ECONOMIC UPDATE

## 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.

As at 30 June 2023, VPEG5 has made investment commitments totaling \$159 million across eight primary private equity funds and four co-investments. As a result, 15 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, Riverside Australia Fund IV, Next Capital Fund V and \$15 million to Mercury Capital Fund twenty2. VPEG5's co-investments include \$1 million to each of Gull New Zealand, EventsAir, CompareClub and Pac Trading.

## SPECIAL POINTS OF INTEREST

*VPEG5's makes a \$1 million co-investment alongside Adamantem Environmental Opportunities Fund into Pac Trading, an Australian-based company providing innovative and sustainable packaging solutions to the food services industry*

*Allegro Fund IV completes the acquisition of Slater & Gordon, a leading Australian consumer law firm, in April 2023*

*As at 30 June 2023, VPEG5 has \$159 million of investment commitments across eight primary private equity funds and four co-investments. As a result, fifteen unique underlying portfolio companies exist within VPEG5's underlying portfolio*

## PERFORMANCE

As at 30 June 2023, VPEG5 had called 20% of investors Committed Capital (Capital Calls No.1, 2 and 3) to fund the required calls from underlying private equity funds for the Fund's share of the investments completed to date.

Due to the relatively short holding period of less than twelve months for the majority of underlying investments within the portfolio, a significant portion of these assets are still valued at investment cost. In fact, the average holding period for VPEG5's underlying portfolio is 0.83 years at 30 June 2023.

A notable highlight however, is that several underlying portfolio companies have already successfully executed on their growth strategies, resulting in a consistent trend of growth in sustainable earnings over recent quarters. As these businesses continue to meet their targets, each underlying manager will appropriately revalue each portfolio company, thereby delivering VPEG5 with valuation increases across the next six to twelve months.

Drawdowns during the quarter from VPEG5 totalled \$474,276. This amount was paid to Allegro Fund IV for the public to private takeover of previously announced portfolio company Slater & Gordon, which was completed in May 2023.

As at 30 June 2023, VPEG5, LP and VPEG5A had called 15% and 5% respectively of investors committed capital to VPEG5 (20% on a consolidated basis) to fund VPEG5's share of the underlying company investments completed to date and added to VPEG5's portfolio.

Amidst the peak in inflation and a prevailing RBA cash rate of 4.1%, the economy is witnessing a gradual slowdown, prompting businesses to proactively adjust and streamline their cost structures due to the escalating expenses. Consequently, Financial Institutions and Advisory networks are turning to VPEG5's underlying private equity managers as a source of capital to assist these businesses with their growth aspirations during this inflationary period. As a result, VPEG5's underlying managers are seeing a clear uptick in offshore headquartered corporations focusing on their core markets and divesting their Australian and New Zealand (ANZ) operations. These large multinational corporations are often more focused on improving margins in their core business by disposing of non-core ANZ operations, than on the valuation of the business they are seeking to sell off, which subject to extensive due diligence and negotiations on the terms of the transaction, will allow VPEG5's managers to potentially acquire these corporate carve-outs at attractive valuations.

## PORTFOLIO DEVELOPMENTS

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During the June 2023 quarter, VPEG5 continued the build out the Fund's private equity portfolio, receiving investment committee approval to make a \$1 million co-investment alongside the Adamantem Environmental Opportunities Fund into Pac Trading, an Australian-based company providing innovative and sustainable packaging solutions to the food services industry.

As a result, VPEG5 had made \$159 million of investment commitments across eight primary private equity funds and four co-investments at quarter end.

Across the June 2023 quarter, two new underlying company investments were either announced or completed, further building out VPEG5's portfolio.

These new underlying company investments included;

- Previously reported **Slater & Gordon** (Allegro Fund IV), a leading compensation and class action law firm; and
- **Pac Trading** (Co-investment No.4 & Adamantem EOF), an Australian-based company providing innovative and sustainable packaging solutions to the food services industry.

As a result, VPEG5's portfolio comprised of 15 unique company investments that have been either announced or completed at quarter end.

VPEG5's underlying managers' report that there is a promising deal pipeline, which comprises numerous investment opportunities that meet their investment criteria. These opportunities, subject to extensive due diligence and negotiations on terms, have the potential to be completed and added to VPEG5's portfolio within the next three to six months.

## OVERVIEW OF NEW CO-INVESTMENT COMMITMENT

### PAC TRADING ALONGSIDE ADAMANTEM ENVIRONMENTAL OPPORTUNITIES FUND

During June 2023, VPEG5's Investment Committee approved a \$1 million co-investment alongside Adamantem Environmental Opportunities Fund into Pac Trading, an Australian-based company providing innovative and sustainable packaging solutions to the food services industry.



Pac Trading offers a wide and unique range of quality products for any food-services business. The company specialises in custom print packaging for food and retail industries, providing a high level of professional customer service.

Pac trading has 69 employees with warehouse facilities in Melbourne, Brisbane, Sydney and Perth as well as a head office in Sydney, which is supplemented by a support team in the Philippines. The company's customer base is ~1,500 customers and includes 637 distributors across Australia.

Pac Trading has experienced accelerated growth over the past 5 years due to industry tailwind from government bans on single use plastic products, which will continue to support its future growth.

## OVERVIEW OF NEW UNDERLYING INVESTMENT

### SLATER & GORDON – ALLEGRO FUND IV

During May 2023, Allegro Fund IV successfully completed the acquisition of Slater & Gordon and delisted it from the ASX. As previously reported in VPEG5's March 2023 quarterly report, Slater & Gordon is a leading Australian law firm specialising in the consumer law market and has an almost 90-year history in providing personal injury and class action law services.



This acquisition allows Allegro to partner with and support Slater & Gordon's management team in pursuit of growth initiatives, which leverage's Allegro's strong turnaround track record.

The law firm had previously been impacted by a debt-for-equity swap in 2017 following a debt-funded acquisition of UK firm Quindell, which saw hedge funds own nearly 94% of the equity before Allegro's bid. However, Slater & Gordon has since posted a \$110 million net revenue, up 37%, and a \$16.7 million after-tax profit in the first half of FY23. It has also cut its net debt to EBITDA ratio from 3.2-times in the June 2022 half to 1.6-times at December 2022 end.

These improvements, combined with the limited liquidity since the 2017 recap, make the acquisition an attractive turnaround opportunity for Allegro Fund IV and their investors including Vantage Private Equity Growth 5 (VPEG5).



# PORTFOLIO STRUCTURE

## VPEG5'S PORTFOLIO STRUCTURE

The tables and charts below provide information on the breakdown of VPEG5's investments as at 30 June 2023.

## 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	
2.3%	28.7%	Later Expansion	42.3%
		Buyout	26.7%

# PORTFOLIO STRUCTURE

## PRIVATE EQUITY PORTFOLIO

The table below provides a summary of VPEG5's approved private equity portfolio and commitments as at 30 June 2023

Private Equity Fund Name	Fund / Deal Size	Vintage Year	Investment Focus	VPEG5 Commitment	Total No. of Investee Companies
<b>CPE Capital 9</b>	\$780m	2020	Mid Market Buyout	\$20.0m	4
<b>Advent Partners 3 Fund</b>	\$410m	2021	Growth Capital, Later Stage Expansion & Buyout	\$20.0m	1
<b>Allegro Fund IV</b>	\$750m	2021	Mid Market Turn-around	\$20.0m	2
<b>Anchorage Capital Partners Fund IV</b>	*\$500m	2022	Mid Market Expansion / Buyout	\$20.0m	3
<b>Mercury Capital Fund twenty2</b>	\$1.0bn	2022	Mid Market Expansion / Buyout	\$15.0m	1
<b>Riverside Australia Fund IV</b>	\$450m	2022	Growth Capital, Later Stage Expansion & Buyout	\$20.0m	-
<b>Adamantem Capital Environmental Opportunities Fund</b>	*\$350m	2022	Growth Capital, Later Stage Expansion & Buyout	\$20.0m	1
<b>Next Capital Fund V</b>	\$340m	2022	Growth Capital, Later Stage Expansion & Buyout	\$20.0m	1
<b>Co-investment No.1 Gull New Zealand</b>	~\$500m	2022	Mid Market Special Situations	\$1.0m	1
<b>Co-investment No.2 EventsAir</b>	~\$100m	2022	Later Stage Expansion	\$1.0m	1
<b>Co-investment No. 3 Compare Club</b>	\$110m	2022	Later Stage Buyout	\$1.0m	1
<b>Co-investment No.4 Pac Trading</b>	\$71m	2023	Growth Capital, Later Stage Expansion & Buyout	\$1.0m	1
<b>Total</b>				<b>\$159.0m</b>	<b>15**</b>

\* Target Fund size

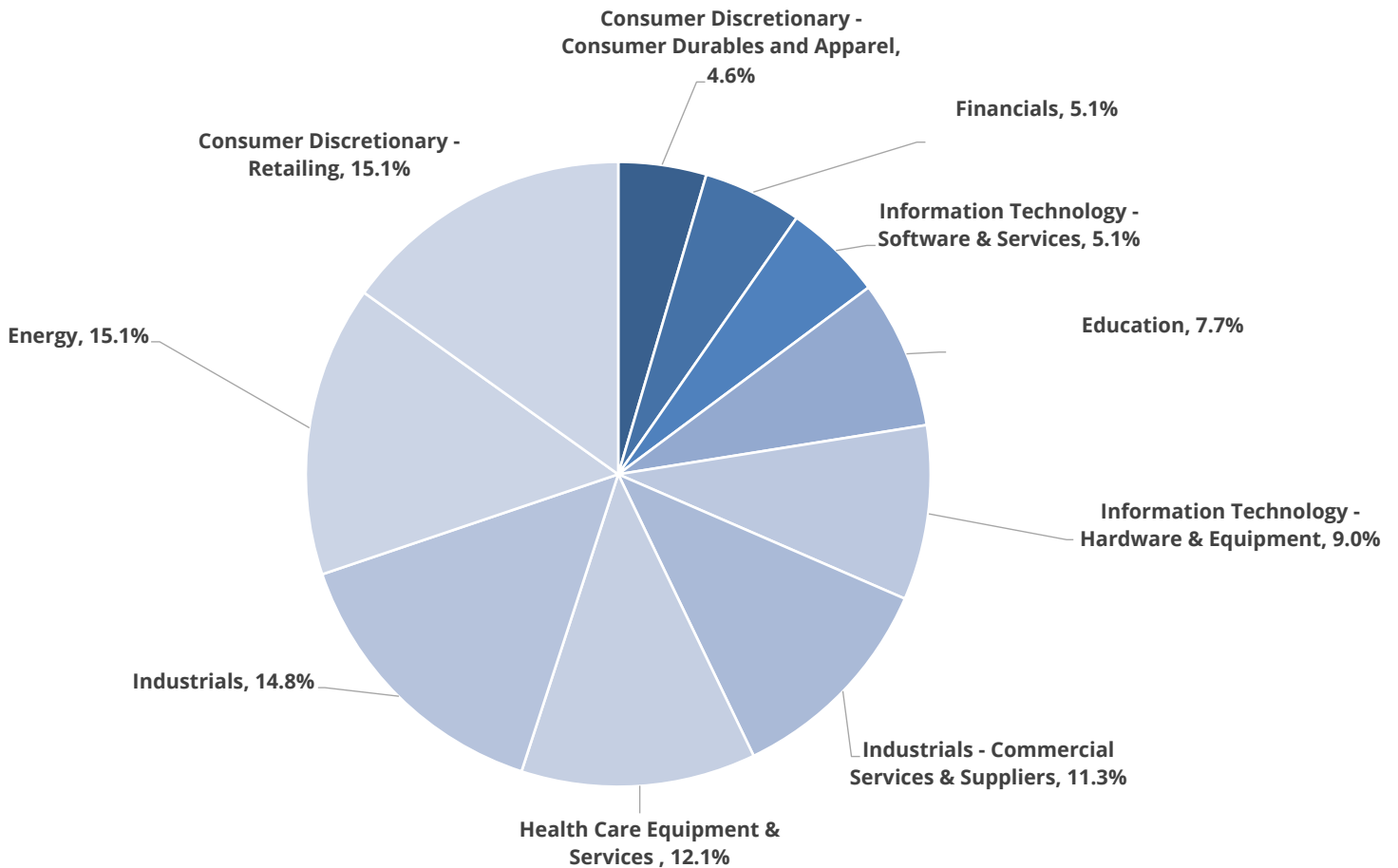
\*\* Excluding Duplicates, includes both announced and completed deals as at 30 June 2023.



## INDUSTRY SPREAD OF VPEG5'S PORTFOLIO

Following the completion of Allegro Fund IV's acquisition of Slater & Gordon VPEG5's exposure to the "Commercial Services" industry sector, commenced and now represents 11.3% at June 2023 quarter end.

VPEG5's exposure to the "Consumer Discretionary – Retailing" industry sector, which comprises of David Jones and Direct Group, represents VPEG5's largest industry sector exposure, represents 15.1% at June quarter end.



## ECONOMIC & MARKET UPDATE

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The Australian economy has been displaying signs of a slowdown, with GDP growth of only 0.2% during the March quarter, the lowest since the contraction caused by the COVID-19 Delta lockdown in September 2021. On an annual basis, GDP grew by 2.3%, down from 2.7% in the previous quarter. The Reserve Bank of Australia (RBA) expects the economy to grow in 2023 but at a slower pace, with a forecast of 1.25% GDP growth.

To curb inflation, the RBA increased the cash rate to 4.1% in the June quarter, with 25bps hikes in both May and June, before pausing in July to assess the impact of previous rate increases and the economic outlook. Inflation has started to moderate, with CPI for the 12 months to June recording 5.4%, a decline from the peak of 8.4% in December.

Consumer market conditions are showing signs of weakness due to rising living costs. Increasing interest rates are affecting household budgets, leading to slower household consumption activity, a declining household savings rate, and weakened consumer sentiment. While spending on non-discretionary items like food, health, transport, and catering continues to grow (albeit at a slower pace), discretionary spending has contracted as consumers cut back on recreation, furniture, and clothing purchases.

Despite weak consumer sentiment, the labour market is operating at full capacity, with the unemployment rate remaining historically low at 3.5%. The high employment rate is expected to moderate the impact of market conditions on consumer spending.

During the quarter, the Australian government presented its second budget since the May 2022 election, reporting a small surplus—the first in 15 years. Although the government anticipates a strong revenue path ahead, the budget is expected to return to a deficit due to cost increases and policy measures aimed at alleviating cost-of-living pressures.

In New Zealand, real GDP declined for the second consecutive quarter, albeit at a slower rate, falling by 0.1% during the March quarter, mainly due to weakening private demand and falling real incomes. Consumer confidence rose slightly in the June quarter but remains relatively low. The Reserve Bank of New Zealand hiked rates by 25bps on May 24th, reaching 5.5%, one of the highest rates among OECD countries, in an effort to control inflation, which currently stands at 6.7% (down from 7.2% in the previous report).

Private equity transaction activity continued at a slow pace in the quarter, with only 5 deals announced or completed. Despite the slow deal pace environment, VPEG5's underlying managers have seen an increase in the inbound intermediated origination activity during the quarter, particularly in the New Zealand market. Vantage's managers are expecting this trend to be followed in the Australian market in the second half of the year. Alongside moderating vendor valuation expectations, VPEG5 is anticipating elevated levels of deal activity in the short to medium term, which will ultimately increase the size and value of VPEG5's private equity portfolio.

## CONTACT DETAILS

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## GENERAL PARTNER & INVESTMENT MANAGER

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