

# VANTAGE PRIVATE EQUITY GROWTH 3

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MARCH 2018  
QUARTERLY REPORT

**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 structured as an Australian Fund of Funds Limited Partnership.

VPEG3 is also 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.

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 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.

As at 31 March 2018, VPEG3 had committed \$49m across five Primary Private equity funds and had completed one co-investment. As a result, a total of six 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 and Anchorage Capital Partners Fund III and \$7m to Odyssey Private Equity Fund 8. VPEG3 has also completed a \$250k Co-Investment into Fitzpatrick Financial Group.

## "SPECIAL POINTS OF INTEREST"

ADVENT PARTNERS 2 FUND COMPLETES AN INVESTMENT INTO PREMIUM LASER AND SKIN REJUVENATION BUSINESS, SILK LASER CLINICS.

ADAMANTEM CAPITAL FUND 1 PORTFOLIO COMPANY, HERITAGE LIFECARE, DOUBLES THE NUMBER OF AGED CARE BEDS ACROSS ITS FACILITIES WITH AN ADDITIONAL THREE AGED CARE BUSINESS ACQUISITIONS COMPLETED AND ANNOUNCED DURING THE QUARTER.

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

# PERFORMANCE

The period 1 January 2018 to 31 March 2018 saw the addition of two new investments to the portfolio and the completion of an additional two bolt on acquisitions added to an existing investment within the portfolio.

The two new underlying company investments completed during the quarter included one by Odyssey Private Equity Fund 8 (announced in the VPEG3 December 2017 Quarterly report) and one completed by the Advent Partners 2 Fund. In addition two bolt-on investments were completed by Adamantem Capital Fund 1 for an existing portfolio company. Furthermore, another bolt on acquisition to an existing portfolio company was announced during the quarter that was completed during April 2018.

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

As at 31 March 2018, investors had Paid Capital to VPEG3 totalling 20% of Committed Capital represented by Capital Calls numbered 1, 2 and 3. Capital Call No. 3 for 10% of Committed Capital was paid by all investors, or otherwise paid from their One Cash Management Fund holdings, by the call payment due date of 9 January 2018.

# KEY PORTFOLIO DEVELOPMENTS

During the March 2017 quarter, VPEG3 continued the development of its private equity portfolio with with two new underlying company investments and two bolt-on investments completed. One further bolt on investment was announced and subsequently completed in early April 2018.

# KEY PORTFOLIO DEVELOPMENTS

(CONTINUED)

## ADVENT PARTNERS 2 FUND COMPLETES AN INVESTMENT INTO PREMIUM LASER AND SKIN REJUVENATION BUSINESS, SILK LASER CLINICS.

Draw downs during the quarter from VPEG3, totaling \$1,110,650, were made to Advent Partners 2 Fund and Odyssey Private Equity Fund 8.

Calls paid during the quarter were required to fund one of the new company investments with the other new company investment temporarily funded by a bridging debt facility by the underlying fund. The bolt on acquisitions completed and announced during the quarter were funded by cash flows generated by the company to which they were added. Other capital called during the quarter was required to fund other costs associated with the operations of underlying funds, including management fees and due diligence costs incurred in completing new and bolt on investments.

During January 2018, Odyssey Private Equity Fund 8 completed the investment in Australian outdoor leisure products business OZtrail. (Refer to the VPEG3 December 2017 Quarterly report for details).

Also, during January 2018, the Advent Partners 2 Fund completed an investment in premium laser and skin rejuvenation business Silk Laser Clinics.

Finally, during the quarter, Adamantem Capital Fund 1 portfolio company Heritage Lifecare added to its portfolio of New Zealand aged care facilities with the bolt on acquisition of two additional aged care operations. One further acquisition of another aged care business was announced during the quarter and completed in early April 2018.

Heritage Lifecare has now completed five bolt on acquisitions and doubled the number of aged care beds across its facilities, since the initial investment in Heritage by Adamantem Capital Fund 1 was completed in July 2017.

The number of underlying company investments in VPEG3's portfolio is set to increase over the coming year with fund managers reporting solid pipelines of investment opportunities which is expected to lead to the completion of a number of new investments during 2018.

# OVERVIEW OF NEW INVESTMENTS



## Silk Laser Clinics – Advent Partners 2 Fund

During January 2018, Advent Partners completed an investment in premium laser and skin rejuvenation business, Silk Laser Clinics.

In 2009, the first Silk Laser Clinic opened in Hyde Park, South Australia, after its four Directors identified a need in the Adelaide market for affordable medical grade laser treatments in a comfortable and convenient environment.

Silk has grown since then with clinics now operating in twelve locations across Australia, including nine in Adelaide, South Australia, two in Darwin, Northern Territory and one in Hobart, Tasmania. In addition Silk currently has plans to expand with additional clinics to be added to the portfolio across the country.

Using only world class technology and medical grade lasers, Silk Laser Clinics have become the clinic of choice for Laser Hair Removal, Cosmetic Injections, Skin Treatments and Tattoo Removal.

Silk invest in the latest technology, certify and train experienced staff and make sure they understand customer needs, so they can formulate a customised treatment plan to address each customer's concerns and deliver results.

## PORTFOLIO STRUCTURE

“VPEG3 currently has \$49.25m in commitments and investments across six underlying private equity funds and one co-investment.”

### VPEG3's Portfolio Structure - 31 March 2018

The tables and charts on the next page provide information on the breakdown of VPEG3's investments as at 31 March 2018.

# PORTFOLIO STRUCTURE

(CONTINUED)

## Current Investment Portfolio Allocation

The following table provides the percentage split of VPEG3'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 VPEG3's Private Equity portfolio.

As at 31 March 2018, the private equity component of VPEG3's investment portfolio consisted of six investments including; Heritage Lifecare, Hygain Holdings, Ngahua Group, OZtrail, Silk Laser Clinics and Fitzpatrick Financial Group.

| VPEG3 |                |                 |       |
|-------|----------------|-----------------|-------|
| Cash  | Fixed Interest | Private Equity  |       |
| 49.1% | 8.8%           | Later Expansion | 16.4% |
|       |                | Buyout          | 25.7% |

## Private Equity Portfolio

VPEG3, with commitments to five Private Equity funds, ultimately held interests in six underlying company investments at quarter end. (These represent completed acquisitions within the portfolio as at 31 March 2018). As a result, VPEG3's Private Equity portfolio and commitments, as at 31 March 2018, 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                | \$608m           | 2017         | Mid Market Expansion / Buyout          | \$10.0m          | \$1.22m            | 2                               | -            |
| Odyssey Private Equity Fund 8           | \$275m           | 2017         | Mid Market Growth Capital              | \$7.0m           | \$1.05m            | 1                               | -            |
| Advent Partners 2 Fund                  | \$300m*          | 2017         | Lower - Mid Market Expansion / Buyout  | \$10.0m          | \$0.20m            | 1                               | -            |
| Allegro Fund III                        | \$390m           | 2017         | Small to Mid Market Expansion / Buyout | \$12.0m          | \$0.20m            | 1                               | -            |
| Anchorage Capital Partners Fund III     | \$350m           | 2017         | Mid Market Expansion / Buyout          | \$10.0m          | \$0.00m            | -                               | -            |
| Co-invest (Fitzpatrick Financial Group) | \$200m           | 2017         | Mid Market Expansion                   | \$0.25m          | \$0.26m            | 1                               | -            |
|   |                  |              | <b>Total</b>                           | <b>\$49.25m</b>  | <b>\$2.93m</b>     | <b>6</b>                        | <b>-</b>     |

# PORTFOLIO STRUCTURE

(CONTINUED)

## Summary of VPEG3's Underlying Private Equity Investments

The table below provides an overview of the spread of underlying private equity investments in VPEG3's portfolio, for which funds had been drawn from VPEG3, as at 31 March 2017.

| Rank | Investment                                     | Fund                     | Description   | % of VPEG3's Private Equity Investments | Cumulative % |
|------|--|--------------------------|---|---|--------------|
| 1    | Adventure Holdings Australia Pty Ltd (Oztrail) | Advent Partners 2 Fund   | Leading outdoor equipment brand                               | 38.5%                                   | 38.5%        |
| 2    | Hygain   | Adamantem Capital Fund 1 | Australian horse feed & supplement manufacturer & distributor | 27.1%                                   | 65.6%        |
| 3    | Heritage Lifecare Limited                      | Adamantem Capital Fund 1 | New-Zealand age-care & retirement village operator            | 21.7%                                   | 87.3%        |
| 4    | Fitzpatrick Financial Group                    | Co-Investment            | Wealth management firm  | 11.2%                                   | 98.5%        |
| 5    | Ngahuia Group                                  | Allegro III              | New Zealand footwear retailer                                 | 1.5%                                    | 100.0%       |

## Industry Spread of VPEG3's Underlying Investments

The completion of the investment in Oztrail by VPEG3 investee Odyssey Private Equity Fund 8, increased VPEG3's exposure to "Consumer Discretionary— Consumer Durables & Apparel" sector from 0% to 38%.

As a result, all other industry sector exposures reduced, in overall percentage terms, to accommodate the Oztrail investment completed during the quarter.

In addition, the investment in Ngahuia Group by VPEG3 investee Allegro III, completed in the September 2017 quarter, was predominately "bridge" funded by Allegro. As such, it is anticipated that the remaining funds for VPEG3's share of this investment will be called and paid by VPEG3 during the June 2018 quarter. Following payment of that capital, VPEG3's exposure to the "Consumer Discretionary - Household and Personal Product" industry sector will increase.

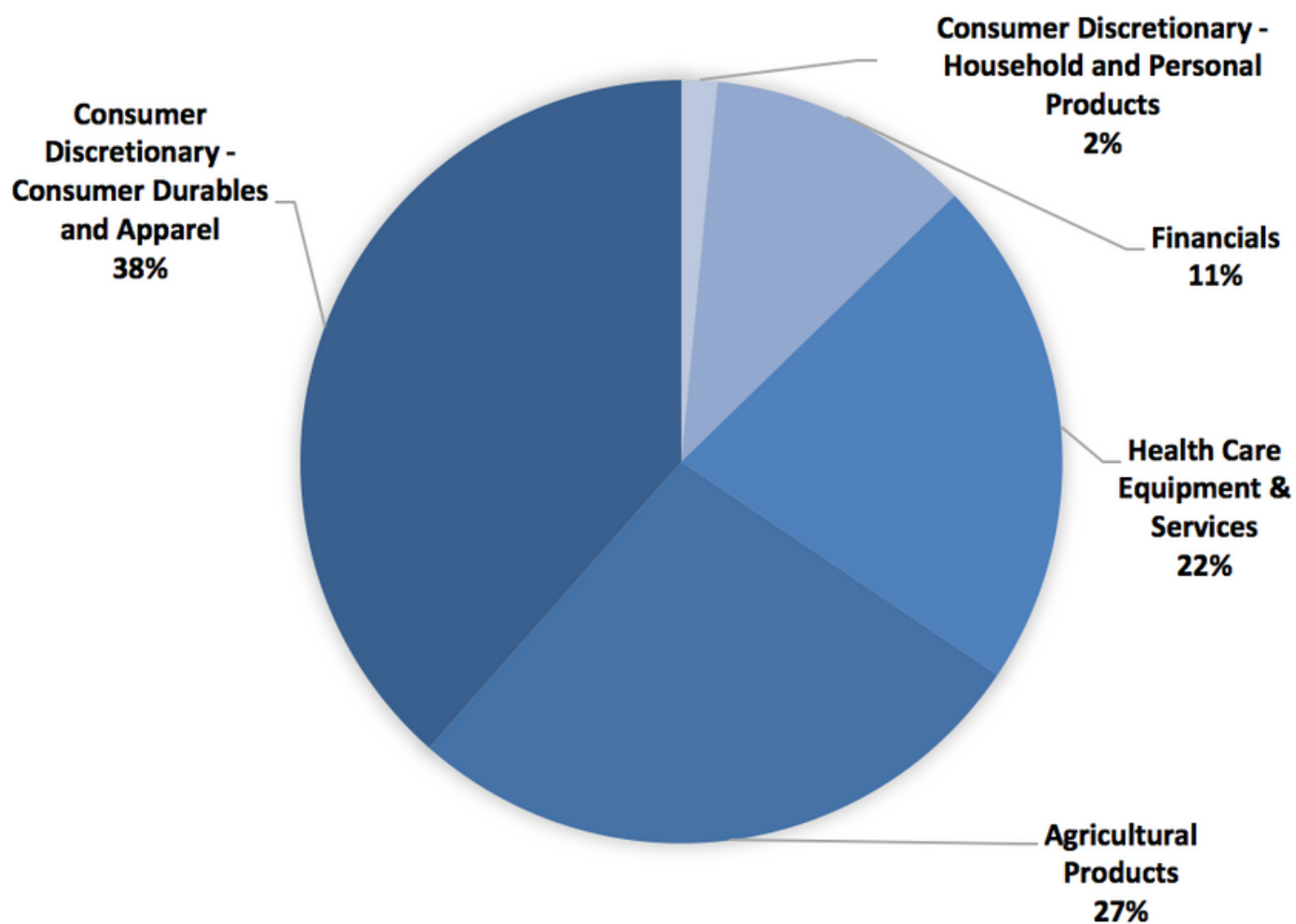
Finally, the investment in Silk Laser Clinics by VPEG3 investee Advent Partners 2 Fund, completed during the March 2018 quarter, was also "bridge" funded by Advent. As such funds will be called from VPEG3 to pay for its share of this investment during the June 2018 quarter. Following payment of that capital, VPEG3's exposure to the "Health Care" industry sector will increase accordingly.



# PORTFOLIO STRUCTURE

(CONTINUED)

Industry Spread of VPEG3's Underlying Investments



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