

VANTAGE PRIVATE EQUITY GROWTH 3

QUARTERLY REPORT
31 DECEMBER 2018

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 consisting of Vantage Private Equity Growth 3, LP (VPEG3, LP) an Australian Fund of Funds (AFOF) Limited Partnership and Vantage Private Equity Growth Trust 3A (VPEG3A) an Australian Unit Trust.

VPEG3, 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.

VPEG3A 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 VPEG3 Investors that are not SIV investors, are unit holders in VPEG3A. VPEG3A also qualifies as a Managed Investment Trust (MIT) for Australian Tax purposes.

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 lower 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 December 2018 VPEG3 had committed \$57.25m across six Primary Private equity funds and two co-investments. As a result, a total of thirteen 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, \$7.5m to Mercury Capital Fund III and \$7m to Odyssey Private Equity Fund 8. VPEG3 co-investments include: \$250k into Fitzpatrick Financial Group and \$500k into Tribe Brewing.

SPECIAL POINTS OF INTEREST

VPEG3 COMMITS \$7.5M TO MERCURY CAPITAL FUND 3, A \$600M MID-MARKET EXPANSION FUND, MANAGED BY SYDNEY, AUSTRALIA BASED, MERCURY CAPITAL

ALLEGRO FUND III ACQUIRES ENDEAVOUR LEARNING GROUP, THE LEADING AUSTRALIAN HIGHER EDUCATION INSTITUTION IN THE NATURAL HEALTH SECTOR

ADAMANTEM CAPITAL FUND 1 COMPLETES THE 'PUBLIC TO PRIVATE' ACQUISITION OF ASX LISTED ZENITAS HEALTHCARE LIMITED, A COMMUNITY-BASED HEALTHCARE PROVIDER SPECIALISING IN THE PROVISION OF IN-HOME AND IN-CLINIC CARE SOLUTIONS

ADAMANTEM CAPITAL FUND 1 PORTFOLIO COMPANY HYGAIN HOLDINGS ACQUIRES PREMIUM HORSE FEED BUSINESS, MITAVITE, FROM THE INGHAM'S GROUP

PERFORMANCE

The period 1 October 2018 to 31 December 2018 saw continued activity across the Fund's underlying of Private Equity portfolio.

During the period VPEG3 completed an additional \$7.5m Private Equity commitment to an Australian based mid market fund, bringing total Private Equity commitments of VPEG3 to \$57.25m.

Also, during the quarter two new underlying Private Equity investments were added to the portfolio and one bolt on acquisition was completed by an existing portfolio company. The new underlying company investments were completed by Allegro Fund III and Adamantem Capital Fund 1 with the bolt on investment completed by and existing Adamantem Capital Fund 1 portfolio company.

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 December 2018, all VPEG3 Investors had Paid Capital to VPEG3, LP totalling 25% of their Committed Capital to VPEG3. Furthermore, all VPEG3 Investors, with the exception of SIV investors, had Paid Capital to VPEG3A, totalling 8% of their Committed Capital to VPEG3 at quarter end.

KEY PORTFOLIO DEVELOPMENTS

During the December 2018 quarter, VPEG3 continued the development of its private equity portfolio with two new underlying company investments added to the portfolio.

Draw downs during the quarter from VPEG3, totaling \$2,967,017, were paid to Adamantem Capital Fund 1, Advent Partners 2 Fund, Allegro Fund III, Mercury Fund 3 and Odyssey Private Equity Fund 8. Capital was also paid to Yorkway Investment Trust for the co-investment of Fitzpatrick Financial Group and to the Advent Tribe Co-investment Trust for the co-investment into Tribe Brewing Pty Ltd.

KEY PORTFOLIO DEVELOPMENTS_(cont.)

VPEG3'S PORTFOLIO EXPANDS TO 13 UNDERLYING COMPANIES OPERATING ACROSS A BROAD RANGE OF INDUSTRY SECTORS

The majority of calls paid during the quarter were to fund the two new underlying company investments and one bolt on investment completed. The additional capital called was to fund other costs associated with the operations of underlying funds, including management fees and due diligence costs incurred in completing these new investments.

On 5 October 2018, Allegro announced that it had entered into a binding agreement to acquire Endeavour Learning Group ("ELG") the leading Australian higher education institution in the natural health sector.

During November 2018, VPEG3 completed an investment commitment of \$7.5m to Mercury Capital Fund 3 (Mercury 3), managed by Sydney based Mercury Capital an independently owned, Australian private equity fund manager investing primarily into mid-market sized businesses within Australia and New Zealand.

During December 2018, Adamantem Capital Fund 1, in consortium with Liverpool Partners, acquired 100% of the shares of ASX listed Zenitas Healthcare Limited, by way of a scheme of arrangement. Zenitas Healthcare is a community-based healthcare provider specialising in the provision of in-home and in-clinic care solutions to reduce the reliance on high cost acute and post-acute institutional care.

Finally during the quarter, Adamantem Capital Fund 1 portfolio company Hygain Holdings acquired the premium horse feed business, Mitavite, from the Ingham's Group.

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 further new investments across 2019.

OVERVIEW OF NEW INVESTMENT COMMITMENT

Mercury Capital Fund 3



Mercury Capital Fund 3 (Mercury 3), is a \$600m mid-market expansion fund, managed by Sydney based Mercury Capital (www.mercurycapital.com.au) an independently owned, Australian private equity fund manager investing primarily into mid-market sized businesses within Australia and New Zealand.

Mercury's core focus is investing in established businesses with market leading positions. Mercury seeks 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.

The Fund will focus on mid-market private equity transactions in Australia and New Zealand, and therefore anticipates making six to eight investments, with a focus on businesses with enterprise valuations of between A\$100m and A\$250m.

Mercury Capital's strength is their knowledge. The Investment Manager and Board has significant experience from a number of highly successful private equity investments in Australia, New Zealand and the USA. The teams' diverse expertise also includes successfully starting, growing and selling significant businesses and from operating at senior board and management positions in companies throughout Australia and New Zealand.

OVERVIEW OF NEW INVESTMENTS

Endeavour Learning Group (ELG) – Allegro Fund III



On 5 October 2018, Allegro announced that it had entered into a binding agreement to acquire Endeavour Learning Group ("ELG") as the second investment in Allegro Fund III. The transaction includes Endeavour Colleges ("Endeavour") and FIA Fitnation in Australia and the College of Natural Health and Homeopathy in New Zealand. ELG services more than 6,500 students and has a national footprint with 6 campuses in Australia and 2 campuses in New Zealand.

Endeavour is the core business being acquired and is the leading Australian higher education institution in the natural health sector. The college was established in 1975 and currently holds a 75% share of natural therapies within the market.

OVERVIEW OF NEW INVESTMENTS_(cont.)



Zenitas Healthcare – Adamantem Capital Fund 1

During December 2018, Adamantem Capital Fund 1, in consortium with Liverpool Partners, acquired 100% of the shares of ASX listed Zenitas Healthcare Limited, by way of a scheme of arrangement. Following scheme approval by 99.2% of Zenitas shareholders during November 2018, the shares of Zenitas ceased to trade on the ASX from 13 December 2018.

Zenitas Healthcare is a community-based healthcare provider specialising in the provision of in-home and in-clinic care solutions to reduce the reliance on high cost acute and post-acute institutional care.

Healthcare services are shifting away from hospitals and other institutional care providers to community-based providers. With this sharp focus on quality care and costs, Zenitas is well positioned to take advantage of this transition through economies of scale and capacity with its 2,000+ workforce.

OVERVIEW OF NEW BOLT ON ACQUISITION



Mitavite - Adamantem Capital Fund 1

On 22 August 2018 Adamantem Capital announced that portfolio company Hygain Holdings had entered into an agreement to acquire the Mitavite business from the Ingham's Group. The deal will see two of Australia's premium horse feed brands come together to establish a solid platform in the domestic market and expand its global export business.

The acquisition of the Mitavite assets will allow Hygain to accelerate a number of strategic initiatives including the capacity to gain better access to horse owners across Australia and to a broader range of market segments. The acquisition also offers the opportunity for Hygain to operate a more efficient and larger business that has the capacity to grow both domestically and into new export markets.

PORTFOLIO STRUCTURE

VPEG3 currently has \$57.25m in commitments and investments across six underlying private equity funds and two co-investments

VPEG3's Portfolio Structure - 31 December 2018

The tables and charts below provide information on the breakdown of VPEG3's investments as at 31 December 2018

Current Investment Allocation

The following tables provide the percentage split of each of the VPEG3 entities, 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 December 2018, the private equity component of VPEG3, LP's investment portfolio consisted of ten investments across VPEG3's underlying portfolio investments, which include; Hygain Holdings, Ngahua Group, Endeavour Learning Group, Servian Group, Adventure Holdings Australia Pty Ltd (Oztrail), Mining Technologies Holdings Pty Limited, SILK Laser & Skin Holdings Pty Ltd, Miso Holdco (Compass Education), South Pacific Laundries and Zenitas Healthcare.

VPEG 3,LP			
Cash	Fixed Interest	Private Equity	
21.4%	3.9%	Later Expansion	24.1%
		Buyout	50.6%

As at 31 December 2018, the private equity component of VPEG3A's investment portfolio consisted of three investments including; Heritage Lifecare, Fitzpatrick Financial Group and Tribe Brewing.

VPEG 3A			
Cash	Fixed Interest	Private Equity	
29.9%	0.4%	Later Expansion	21.5%
		Buyout	48.2%

PORTFOLIO STRUCTURE (cont.)

Private Equity Portfolio

VPEG3, with commitments to six Private Equity funds and two co-investments, ultimately held interests in thirteen underlying company investments at quarter end. (These represent completed and approved acquisitions within the portfolio as at 31 December 2018). As a result, VPEG3's Private Equity portfolio and commitments, as at 31 December, 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	\$4.35m	4	-
Odyssey Private Equity Fund 8	\$275m	2017	Mid Market Growth Capital	\$7.0m	\$2.31m	2	-
Advent Partners 2 Fund	\$300m	2017	Lower - Mid Market Expansion / Buyout	\$10.0m	\$0.87m	2	-
Allegro Fund III	\$390m	2017	Small to Mid Market Expansion / Buyout	\$12.0m	\$1.06m	2	-
Anchorage Capital Partners Fund III	\$350m	2017	Mid Market Expansion / Buyout	\$10.0m	\$0.42m	1	-
Co-invest (Fitzpatrick Financial Group)	\$200m	2017	Mid Market Expansion	\$0.25m	\$0.27m	1	-
Co-invest (Tribe Brewing)	\$30m	2018	Mid Market Expansion	\$0.5m	\$0.51m	1	-
Mercury Fund 3	\$600m	2019	Mid Market Expansion	\$7.5m	\$0.15m	0	-
Total				\$57.25m	\$9.93m	13	-

PORTFOLIO STRUCTURE (cont.)

Summary of VPEG3's Underlying Private Equity Investments

The table below provides an overview of the top ten underlying private equity investments in VPEG3's portfolio.

Rank	Investment	Fund	Description	% of VPEG3's Private Equity Investments	Cumulative %
1	Hygain	Adamantem Capital Fund 1	Australian horse feed & supplement manufacturer & distributor	16.9%	16.9%
2	Adventure Holdings Australia Pty Ltd (Oztrail)	Odyssey Private Equity Fund 8	Leading outdoor equipment brand	14.9%	31.8%
3	Heritage Lifecare Limited	Adamantem Capital Fund 1	New-Zealand age-care & retirement village operator	12.7%	44.5%
4	Zenitas Healthcare	Adamantem Capital Fund 1	Community-based healthcare provider	12.4%	56.9%
5	Mining Technologies Holdings Pty Limited	Odyssey Private Equity Fund 8	Leading global provider of data & voice communications	10.3%	67.2%
6	Servian Group	Adamantem Capital Fund 1	Leading specialist data and analytics consulting firm	6.9%	74.1%
7	Tribe Brewing	Co-Investment	Manufacturer of craft beer and premium alcoholic beverages	5.8%	79.9%
8	Endeavour Learning Group	Allegro III	Education provider in natural therapies	4.8%	84.7%
9	Ngahuia Group	Allegro III	New Zealand footwear retailer	4.1%	88.9%
10	Compass Education	Advent Partners 2 Fund	Student Information System Software / Services provider	4.0%	92.9%

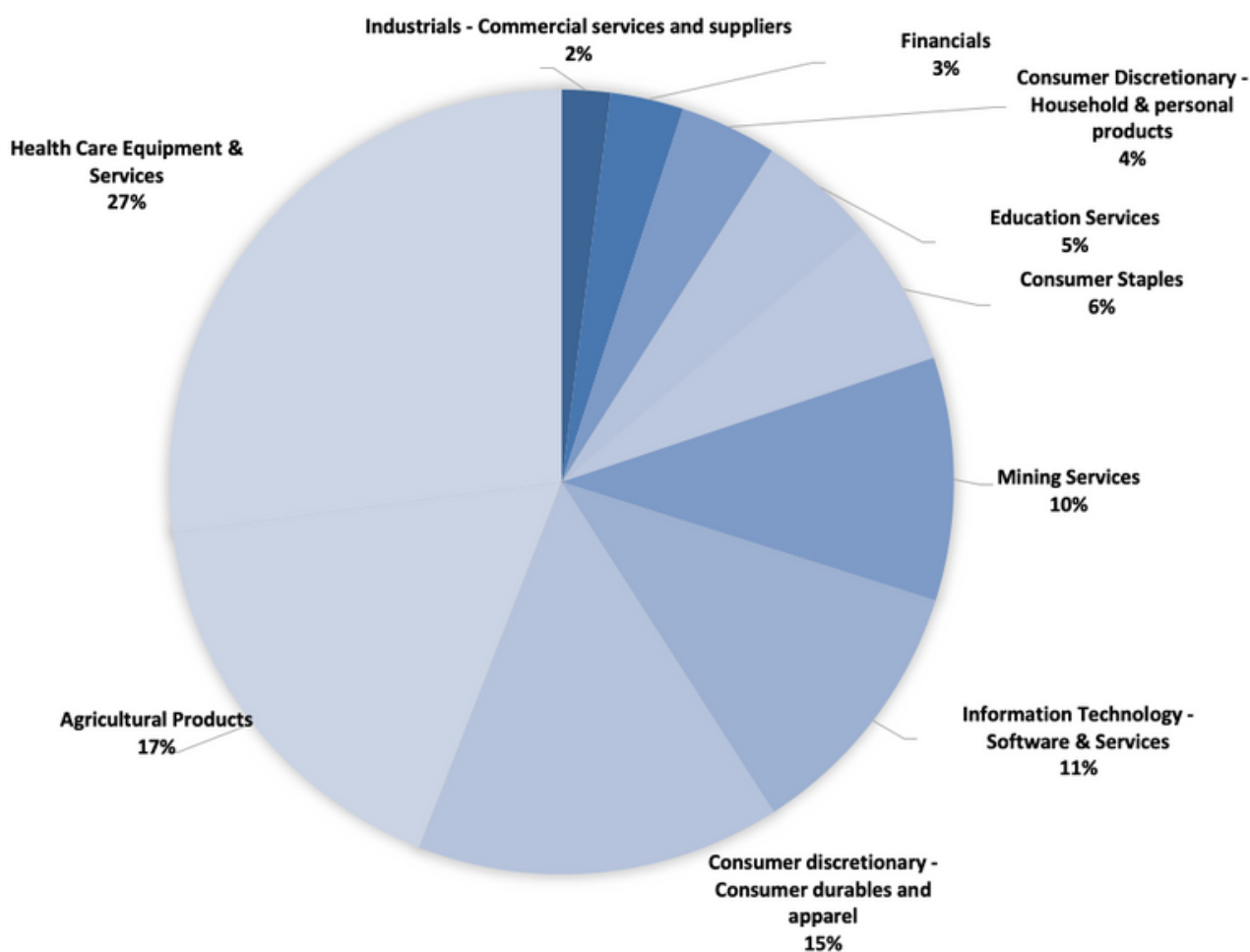
PORTFOLIO STRUCTURE (cont.)

Industry Spread of VPEG3's Underlying Investments

The completion of the investment in Endeavour Learning Group by investee Allegro Fund III during the quarter, increased VPEG3's exposure to the "Education Services" industry sector from 0% to 5%.

Furthermore, capital paid by VPEG3 to Adamantem Capital Fund 1 for their investment to fund the bolt on acquisition of Mitavite by Hygain Holdings during the quarter, increased VPEG3's exposure to the "Agricultural Products" industry sector to 17%.

Finally, the completed investment in Zenitas Healthcare by investee Adamantem Capital Fund 1 adds to the "Health Care Equipment & Services" sector, which represents VPEG3's largest industry sector exposure at 27%.



MARKET UPDATE

Market & Economic Conditions

Strong economic growth continues in both Australia and New Zealand, interest rates remain low and the flow of new opportunities in the lower to mid-market remains steady. Evidence suggest that the Private Equity industry as a whole is reporting very strong returns for its investors during this highly volatile time in global markets. Strong liquidity is being seen, with exceptional cash proceeds being distributed back to investors.

Pricing for transactions in the lower to mid-market remains unchanged from previous quarters, reflecting the fact that the level of competition between fund managers is modest. At the same time the banking market is well balanced. While a healthy level of competition exists between the banking market participants it has not been meaningfully escalated by the entry of either the foreign banks or the Non Bank Financial Institutions.

Following the Royal Commission on Banking and Finance the banks appear to be tightening their lending requirements for personal loans and mortgage backed finance. However, loans for the Private Equity sector have not been affected. Senior loans remain available on sensible multiples of EBITDA and at reasonable pricing.

The outlook for exits within the VPEG3 portfolio remains positive with good demand coming from a variety of sources. The only slight negative is the IPO market, where the level of demand is clearly diminished and anything that looks even slightly marginal is either re priced or withdrawn. Given increasing levels of volatility on world equity markets this situation looks likely to continue for some time. However, with VPEG3's underlying funds operating in the lower to mid market segment, the opportunity for exit via a trade sale or secondary sale to a larger Private Equity fund tends to be the preferred method of exit for portfolio companies across Vantage managed funds.

On a macro-economic level, a slight slowing of the economies in Australia and New Zealand may make things more challenging in the medium term but the growth rates remain strong when compared to most of the OECD. China growth, albeit at slower than historical rates, is still a good news story for Australia particularly if the government implements stimulatory measures to support the economy. Interest rates look set to remain at the current levels for all of 2019, and recent suggestions are that the next move by the RBA could be down rather than up if the real estate market weakens any further. In conclusion, VPEG3's underlying fund managers expect that 2019 will be another positive year for Private Equity investment in Australia with continuing strong deal flow leading to new investments being completed and added to VPEG3's portfolio across 2019.

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