

# QUARTERLY REPORT

# VANTAGE PRIVATE EQUITY GROWTH 3

QUARTERLY INVESTOR REPORT  
30 SEPTEMBER 2021

**VPEG3** DIVERSIFY  
GROW  
OUTPERFORM



<b>3</b>	SUMMARY
<b>4</b>	PERFORMANCE
<b>6</b>	KEY PORTFOLIO DEVELOPMENTS
<b>8</b>	OVERVIEW OF NEW UNDERLYING INVESTMENTS
<b>9</b>	PORTFOLIO STRUCTURE

# TABLE OF CONTENTS

## 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

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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 \$25 million and \$250 million at investment.

VPEG3 has developed a diversified portfolio of underlying investments by investing into seven underlying Private Equity funds in which it has made investment commitments, who in turn are focused on investments into profitable companies in defensive and growth industry sectors including the Healthcare, Consumer Staple, Information Technology and Agricultural Products.

## SPECIAL POINTS OF INTEREST

*Advent Partner 2 sells a further 6,640,306 shares of previously exited now ASX listed portfolio company SILK Laser Clinics Australia (ASX:SLA) at \$3.70 per share*

*Advent Partners 2 acquires Zero Latency the global leader in the multi-player, Free Roam Virtual Reality ('FRVR') space*

*Advent Partners 2 announces an investment in Imaging Associates Group (IAG), one of the leading independent providers of diagnostic imaging services in Victoria and regional New South Wales*

*VPEG3's portfolio value increases by 9.4% across the September 2021 quarter*

*VPEG3's consolidated performance continues to improve as the portfolio matures, with VPEG3 delivering a net return of 25.3% p.a. since inception to 30 September 2021*

# SUMMARY cont.

As at 30 September 2021, VPEG3 had committed \$67.50 million across seven Primary Private Equity Funds and two co-investments. As a result, a total of 40 underlying company investments exist within the portfolio at quarter end. VPEG3's investment commitments include; \$12 million to Allegro Fund III; \$10 million to each of Adamantem Capital Fund 1, Advent Partners 2 Fund, Anchorage Capital Partners Fund III and Next Capital Fund IV, \$7.5 million to Mercury Capital Fund 3 and \$7 million to Odyssey Private Equity Fund 8. VPEG3 co-investments include; \$0.25 million into Fitzpatrick Financial Group and \$0.75 million into Tribe Brewing.

## PERFORMANCE

The period 1 July 2021 to 30 September 2021, saw elevated levels of Private Equity activity across VPEG3's portfolio, with two new underlying private equity investments added to VPEG3's portfolio. These new investments were announced by VPEG3 investee Advent Partners 2. As a result of these investments being added to VPEG3's portfolio, the total number of underlying company investments increased to 40. In addition, the partial sell down in shares of a previously exited, now ASX listed company, was also successfully executed during the quarter.

Australia's private equity environment continued to remain buoyant as investors sought quality investment opportunities in the Australian lower to mid-market. VPEG3's managers' report that these investors are attracted to companies operating in the lower to mid-market segment in Australia as these businesses have predominately demonstrated strong cash flows and resilience throughout the pandemic.

Aided by the considerable amount of consumer and business spend in Retail, Technology, Industrials and Healthcare companies across the previous quarters, these businesses have exhibited strong levels of liquidity, enabling many of these companies to continue to improve their performance despite interruptions to their operations caused by the various COVID lockdowns imposed in certain locations. In addition, as a significant proportion of VPEG3's portfolio companies have an emphasis on growth initiatives, which as the economic recovery has come to fruition, has accelerated the adoption of their businesses offerings, leading to an increase in demand for the products or services of these companies.

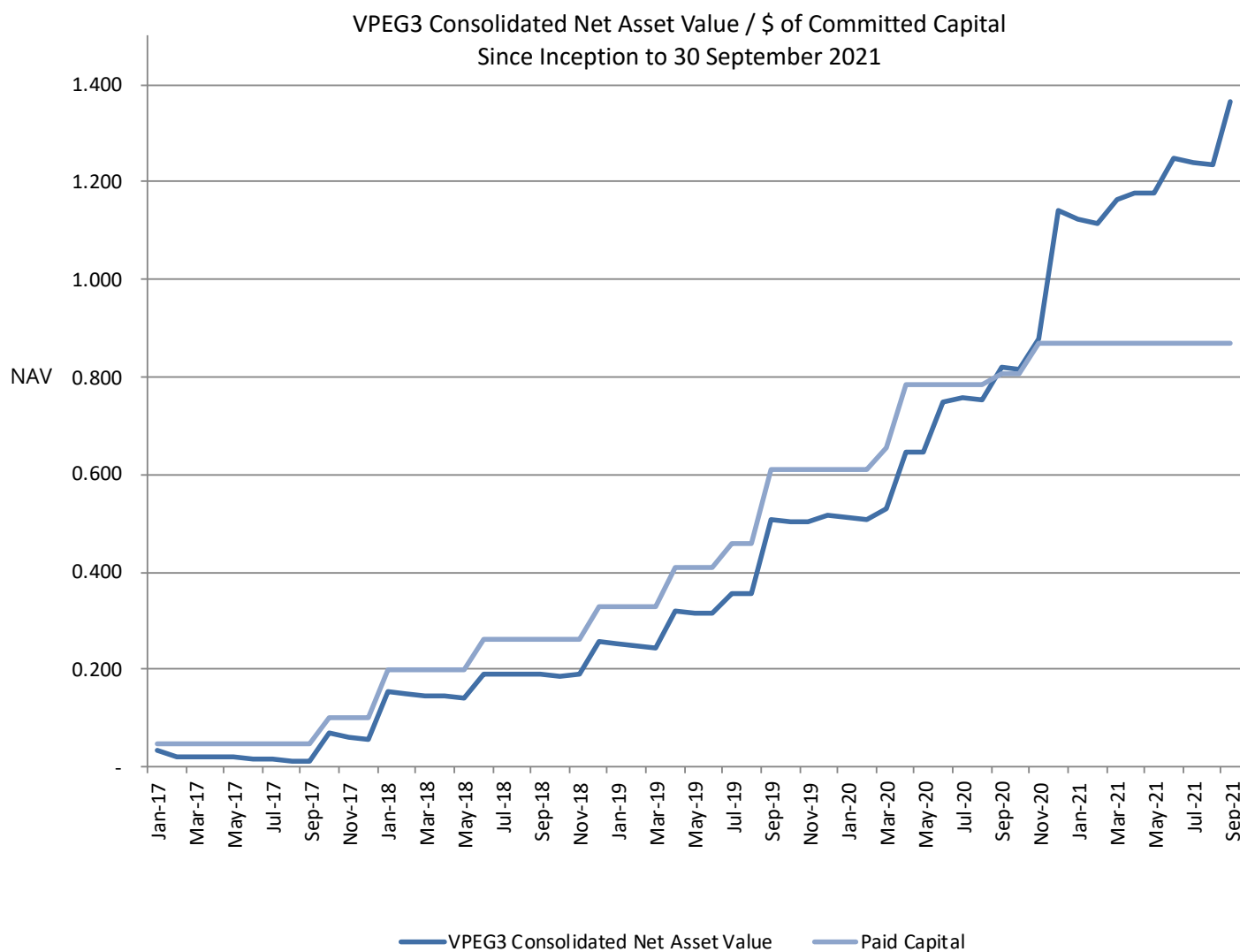
VPEG3 SUMMARY PERFORMANCE AT 30 SEPTEMBER 2021

Fund	Cash	Fixed Interest	Private Equity (Value)	Paid Capital (per \$ of Committed Capital)	NAV (per \$ of Committed Capital)	Cumulative Distributions Paid	Total Value + Cumulative Distributions Paid	Net Return Since Inception* (p.a.)
<b>VPEG3 CONSOLIDATED</b>	10.3%	0.1%	89.6%	0.87	1.365	0.03	1.395	25.3%

\* Since inception, net Internal Rate of Return after all fees from final close January 2019

On a consolidated basis across both VPEG3, LP and VPEG3A the total NAV per dollar of Committed Capital to VPEG3 increased 9.4% across the quarter from \$1.248 at 30 June 2021 to \$1.365 at 30 September 2021. The increase in VPEG3’s NAV across the quarter was as a result of an increase in unrealised values of a number of VPEG3’s portfolio companies attributable to the strong earnings performance of those companies.

The below graph demonstrates VPEG3’s Consolidated NAV / \$ of Committed Capital performance since inception to 30 September 2021 is well above investors Paid Capital per Dollar of Committed Capital to VPEG3.



Figure; VPEG3’s Consolidated Net Asset Value / \$ of Committed Capital movements since first close to 30 September 2021

Due to the increase in portfolio value of VPEG3 across the quarter, VPEG3's return to Investors continues to improve as the fund matures.

As a result, VPEG3 has delivered investors a net of all fees return of 25.3% p.a since final close of the fund on 31 January 2019 to 30 September 2021.

As at 30 September 2021, all VPEG3 Investors had Paid Capital to VPEG3, LP totalling 62% of their Committed Capital to VPEG3. Furthermore, all VPEG3 investors, with the exception of SIV investors, had Paid Capital to VPEG3A, totalling 25.0% of their Committed Capital to VPEG3.

VPEG3's portfolio is well placed, with the value of the portfolio expected to continue to grow as underlying fund managers further maximise the value of each portfolio company prior to exit. It is anticipated that as managers enter into the final stages of negotiating the sale of a number of portfolio company investments, the number of exits from VPEG3's portfolio is expected to increase across the next three to six months. These exits will deliver further distributions and value to VPEG3 investors across the remainder of the 2021 and during the 2022 calendar year, ultimately delivering investors with a strong risk adjusted return over the term of the Fund.

## KEY PORTFOLIO DEVELOPMENTS

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The September 2021 quarter saw continued activity across VPEG3's portfolio with the partial sell down in shares of a previously exited now ASX listed company. In addition, a further two new underlying private equity investments were either completed or announced during the period. This takes VPEG3's portfolio to a total of 40 underlying company investments.

Drawdowns during the quarter from VPEG3, totaling \$4,658,874 were paid to Advent Partners 2 Fund, Allegro Fund III, Mercury Capital Fund 3, Co-investment No.1 Fitzpatrick Financial Group, Co-investment No.2 Tribe Brewing and Odyssey Private Equity Fund 8.

During August 2021, Advent Partners 2 Fund invested in Zero Latency, the global leader in the multi-player, Free Roam Virtual Reality ('FRVR') space.

During September 2021, Advent Partners 2 Fund announced an investment in Imaging Associates Group (IAG), one of the leading independent providers of diagnostic imaging services in Victoria and regional New South Wales.

Additionally during September 2021, Advent Partners 2 successfully transacted a 6,640,306 share sell down of previously exited now ASX listed portfolio company, SILK Laser Clinics Australia (ASX:SLA), at a total value of \$3.70 per share after the release of SILK's FY21 Results. In the trading update released on 25 August 2021, management reported that FY21 revenue grew by 82% to \$58.9 million (\$32.3 million FY20) and pro forma EBITDA increased by 180% to \$17.3 million, as a result of an increase in customer volumes and an increase in average customer spend through injectables and other body categories across the financial year.

The better than market anticipated financial results increased SILK's share price by 14.0% to \$3.90 per share. As a result, Advent sold all 6,640,306 shares (entitled to under escrow) in a block trade at \$3.70 per share representing a \$24.7 million sell down.

VPEG3's share of the sell down proceeds, were received by the Fund during September 2021 and were distributed to all VPEG3 investors during October 2021, further increasing VPEG3 investors returns from the exit of this portfolio company.

As previously reported in the June 2021 quarterly investor report, Allegro Fund III portfolio company Best & Less Group (ASX:BST) successfully listed on the ASX after experiencing significant institutional and retail investor demand, raising \$60 million at \$2.16 per share, representing a Market Capitalisation of \$271 million. During the quarter, BLG announced its full-year financial results for FY21, delivering record profit and exceeding prospectus forecasts on all key metrics. Select highlights include EBITDA of \$71.6 million, up 165% on prior year and 18% on prospectus forecast and NPAT of \$47.0 million, up 192% on prior year and 33% on prospectus forecast. The exit provided Allegro Fund III investors, including VPEG3, with an exceptionally strong investment return across a 1.5 year investment period, with the partially realised proceeds received by VPEG3 during September 2021 and distributed to all VPEG3 investors during the December 2021 quarter.

As a result of this successful exit, the Turnaround Management Association Australia (TMA Australia) awarded this investment by Allegro Fund III as the best turnaround deal of the year for 2021 due to its 50% market capitalisation increase in the two months post-listing, and a three times increase in EBITDA across Allegro's investment hold period of Best & Less Group.

During the quarter, VPEG3 received distributions totaling \$4,997,408 from underlying fund managers Advent Partners 2 and Allegro Fund III. The distribution from Advent Partners 2 related to the partial sell down of shares of previously exited now ASX listed company SILK Laser Clinics Australia (ASX:SLA). The distribution from Allegro Fund III was due to the 31% sell down in shares of underlying portfolio company now ASX listed Best & Less Group (ASX:BST).

As a result of the continual improvement in valuations of portfolio companies, VPEG3's total gain in value is expected to further increase as underlying managers enter into the final stages of exit discussions, with a number of underlying company investments expected to be exited across the next three to six months. These exits will ultimately deliver VPEG3 Fund investors with a superior risk adjusted return as each of these portfolio companies are sold and exit proceeds are distributed back to investors following receipt by VPEG3.

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

## OVERVIEW OF NEW UNDERLYING INVESTMENTS

### ZERO LATENCY - ADVENT PARTNERS 2 FUND

On 10 August 2021, Advent Partners 2 Fund invested in Zero Latency, the global leader in the multi-player, Free Roam Virtual Reality ('FRVR') space. The Business is widely regarded as the global pioneers of 'warehouse scale' virtual reality ('VR'), creating immersive experiences by combining premium hardware and player wearables with its market-leading technology, proprietary software and exclusive gaming content.



Founded in 2013, the Business has grown to over 50 sites internationally across more than 20 countries. The Business has ~60 staff, and is headquartered in Melbourne, Australia.

Zero Latency VR has established itself as one of the fastest-growing, and the most disruptive player in a sector that is at the intersection of technology, leisure and gaming. The Business had reached an inflection point and was seeking additional expertise and capital to assist in accelerating its network expansion plans. With consumers moving up the experience curve, increasing VR's mass market appeal, Advent views this as a land-grab opportunity, and can see a path to triple the size of the network with significant whitespace identified globally.

Advent believe that Zero Latency VR has strong growth potential and are working with the Management team to accelerate its growth by focusing on enhancing the Company's marketing capability, the introduction of more sophisticated analysis around the site selection process, and strategies to improve unit economics.

### IMAGING ASSOCIATES - ADVENT PARTNERS 2

On 13 September 2021, Advent Partners 2 Fund announced an investment in Imaging Associates, one of the leading independent providers of diagnostic imaging services in Victoria and regional New South Wales.



Established in 2008, Imaging Associates operates across five private practices and holds two large hospital reporting contracts in Victoria and regional New South Wales. The business has rapidly grown to 51 core reporting doctors, and has established private practices in Box Hill, Mitcham, Tecoma, and Baw Baw across Victoria, and Wagga Wagga in New South Wales.

IAG provides reporting of x-ray, ultrasound, CT, MRI, nuclear medicine and other radiology services. Diagnostic imaging forms a critical part of healthcare and is a central part of diagnosing patient conditions.

VPEG3's share of this investment was paid to AP2 during October 2021.



# PORTFOLIO STRUCTURE

## VPEG3's PORTFOLIO STRUCTURE - 30 SEPTEMBER 2021

The tables and charts below provide information on the breakdown of VPEG3's investments as at 30 September 2021.

### 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 30 September 2021, the Private Equity component of VPEG3, LP's investment portfolio consisted of twenty nine completed investments for which funds had been called from VPEG3, LP, which include; Hygain Holdings, Endeavour Learning Group, Adventure Holdings Australia Pty Ltd (Oztrail), Mining Technologies Holdings Pty Limited, MessageMedia, SILK Laser Clinics Australia, Compass, Specialised Linen Services, Zenitas Healthcare, Hellers, Delta Agribusiness, Sushi Sushi, Questas Group, FRANKiE4, Perth Radiology Clinics, Legend Corporation, The Best & Less Group, Squiz, Mandoe Media, TM Insights, Are Media Group, InterHealthCare, Medtech, Eptec Group, Enviropacific Services, ResourceCo, MTB Direct Green Options Pty Ltd and Zero Latency.

VPEG3, LP				VPEG3A			
Cash	Fixed Interest Investments	Private Equity		Cash	Fixed Interest Investments	Private Equity	
12.8%	0.1%	Later Expansion	32.4%	3.4%	0.0%	Later Expansion	19.7%
		Buyout	54.7%			Buyout	76.9%

As at 30 September 2021, the Private Equity component of VPEG3A's investment portfolio consisted of ten investments for which funds had been called from VPEG3A, including; Heritage Lifecare, Fitzpatrick Financial Group, Flintfox, Tribe Brewing, Silverchef, The Entertainment Group (TEG), Railfirst Asset Management (formally CF Asia Pacific), Scott's Refrigerated Logistics, Toll Group and E&P Financial Group Limited.

## PRIVATE EQUITY PORTFOLIO

VPEG3, with commitments to seven Private Equity funds and two co-investments, ultimately had invested in 40 underlying company investments with 4 exits completed (partially or fully realised) from the portfolio at quarter end. As a result, VPEG3's Private Equity portfolio and commitments, as at 30 September 2021, 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 I	\$591m	2017	Mid Market Expansion / Buyout	\$10.0m	\$7.87m	6	1
Odyssey Private Equity Fund 8	\$275m	2017	Mid Market Growth Capital	\$7.0m	\$5.14m	6	-
Advent Partners 2 Fund	\$300m	2017	Mid Market Expansion / Buyout	\$10.0m	\$7.10m	7	1
Allegro Fund III	\$290m	2017	Mid Market Expansion / Buyout	\$12.0m	\$6.68m	5	2
Anchorage Capital Partners Fund III	\$350m	2017	Mid Market Expansion / Buyout	\$10.0m	\$5.58m	3	-
Mercury Capital Fund 3	\$600m	2019	Mid Market Expansion	\$7.5m	\$4.35m	6	-
Next Capital Fund IV	\$275m	2019	Mid Market Expansion	\$10.0m	\$3.65m	5	-
Co-invest (Fitzpatrick Financial Group)	\$200m	2017	Mid Market Expansion	\$0.25m	\$0.28m	1	-
Co-invest (Tribe Brewing)	\$30m	2018	Mid Market Expansion	\$0.75m	\$0.66m	1	-
<b>Total</b>				<b>\$67.50m</b>	<b>\$41.33m</b>	<b>40</b>	<b>4</b>

Note; 1. total no. of investee companies only includes completed investments as at 30 September 2021.

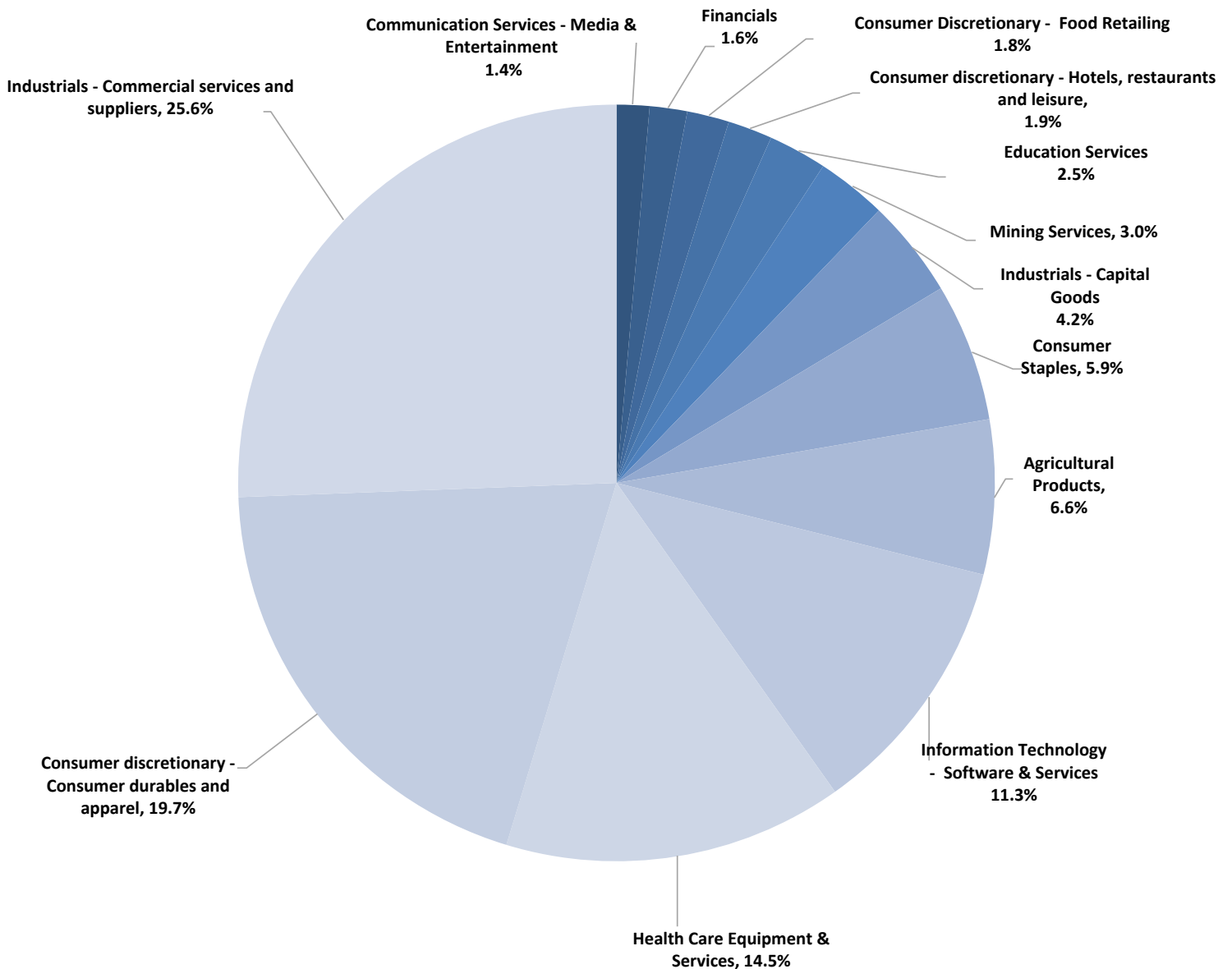
## SUMMARY OF VPEG3's UNDERLYING PRIVATE EQUITY INVESTMENTS

The table below provides a summary of the top ten underlying private equity investments in VPEG3's portfolio for which capital had been called from VPEG3 as at 30 September 2021.

Rank	Investment	Fund	Description	% of VPEG3's Private Equity Investments	Cumulative %
1	Best & Less Group	Allegro Fund III	Australia's leading value apparel specialty retailer	14.4%	14.4%
2	Compass Education	Advent Partners 2	Student Information System Software / Services Provider	6.1%	20.5%
3	Questas Group	Allegro Fund III	Network of niche industrial businesses across Australia	5.9%	26.4%
4	Railfirst Management	Anchorage Capital Partners Fund III	Rail Leasing Business	5.7%	32.1%
5	Hellers	Adamantem Capital I	Producer of Processed Meats in New Zealand	4.9%	37.0%
6	Heritage Lifecare Ltd	Adamantem Capital I	New Zealand Age-care & Retirement Village Operator	4.5%	41.5%
7	Silverchef	Next Capital IV	Rental & Financing of Commercial Equipment	4.2%	45.7%
8	Toll Global Express	Allegro Fund III	An Australian transportation and logistics company with operations in road, rail, sea air and warehouse.	3.9%	49.6%
9	Medtech	Advent Partners 2 Fund	Provider of Practice Management Software (PMS)	3.9%	53.5%
10	Hygain	Adamantem Capital Fund I	Australian Horse Feed & Supplement Manufacturer & Distributor	3.4%	56.9%

### INDUSTRY SPREAD OF VPEG3’s UNDERLYING INVESTMENTS

Given the strong performance of Industrial businesses in the current environment, a number of VPEG3’s portfolio companies achieved significant growth through the period as each company’s operations were improved to enhance efficiencies and increase margins. As such, some of these businesses have been revalued during the quarter to account for their growing revenue and earnings. As a result, the “Industrial – Commercial Services and Suppliers” industry sector which includes; Questas Group, Railfirst Management, Silverchef, Toll Global Express, Specialised Linen Services, Scott’s Refrigerated Logistics, Legend Corporation, Resourceco, Eptec Group, TM Insight and Enviropacific became VPEG3’s largest industry sector exposure, representing 25.6% of VPEG3’s total private equity portfolio at quarter end.



Figure; Industry exposure of VPEG3’s underlying investments

## CONTACT DETAILS

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## GENERAL PARTNER & INVESTMENT MANAGER

**General Partner: Vantage Private Equity Management Partnership, LP**

ILP No. L000417A

**Investment Manager and VPEG3A Trustee: Vantage Asset Management Pty Limited**

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