

QUARTERLY REPORT

VANTAGE PRIVATE EQUITY GROWTH 3

QUARTERLY INVESTOR REPORT
30 JUNE 2022

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

Vantage Private Equity Growth 3 ('VPEG3' or the 'Fund') 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 has invested 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 \$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

VPEG3 delivers a total investor return of 28.7% across the 2022 Financial year and a net return of 24.9% p.a. since inception to 30 June 2022

Odyssey Fund 8 announces the sale of Mining Technology Holdings Pty Ltd (MST) to Komatsu Ltd

Mercury Capital 3 completes the acquisition of Re.Group, a recycling company that operates one of the largest networks of facilities across Australia and New Zealand

Next Capital IV announces an investment into Jucy, a budget car and campervan rental business operating across Australia and New Zealand

SUMMARY cont.

As at 30 June 2022, VPEG3 had committed \$67.55 million across seven Primary Private Equity Funds and two co-investments. As a result, a total of 46 underlying company investments have been completed with 6 exits partially or fully realised from the portfolio at quarterly end. VPEG3's investment commitments include; \$12 million to Allegro Fund III; \$10 million to each of Adamantem Capital Fund I, 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 \$0.80 million into Tribe Brewing.

PERFORMANCE

VPEG3's performance continues to outperform its target return and traditional asset classes, as the Fund matures. Across the Financial Year ended 30 June 2022 (FY22), VPEG3 delivered a total investor return of 28.7% which significantly outperformed the S&P/ASX200 Accumulated index (AXJOA), which delivered -6.5% across the same period.

VPEG3's outperformance of 35.2% over the S&P/ASX200 Accumulated index, across FY22, followed its 24.9% outperformance over the same index in FY21, demonstrating the strong consistent alpha, that VPEG3's underlying fund managers have delivered across the portfolio.

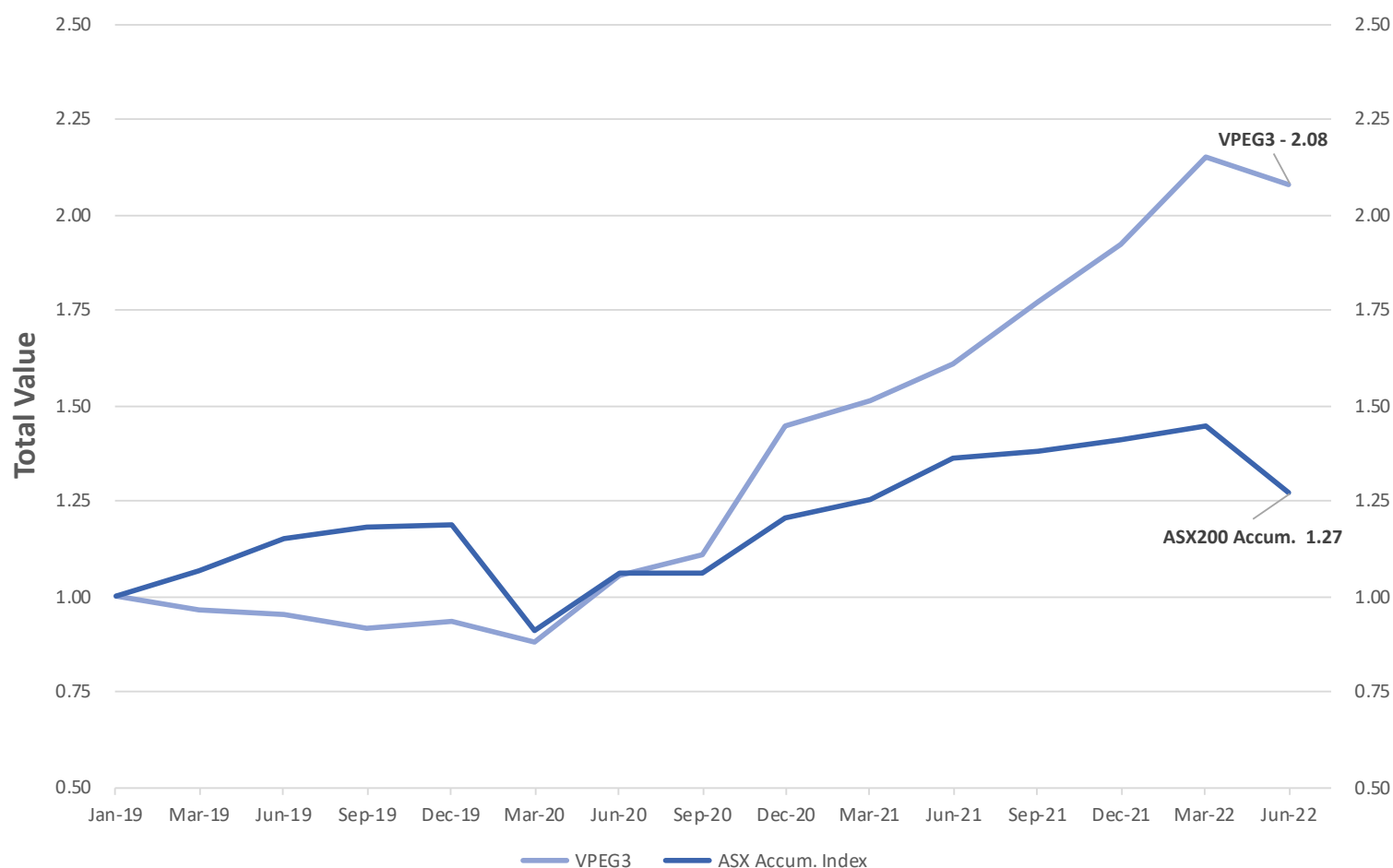
These strong returns have contributed to VPEG3 delivering a net return to investors of 24.9% p.a. since inception to 30 June 2022.

Fund	Paid Capital (per \$ of Committed Capital)	NAV (per \$ of Committed Capital)	Cumulative Distributions Paid + Franking Credits	Total Value + Cumulative Distributions Paid	Net Return Since Inception* (p.a.)
VPEG3 CONSOLIDATED	0.93	1.587	0.099	1.686	24.9%

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

The graph below demonstrates the performance of VPEG3 compared to that of the S&P/ASX200 Accumulated Index since VPEG3's final close in January 2019 to 30 June 2022. In order to appropriately benchmark against this index, which assumes a reinvestment of dividends, the data utilised below assumes distributions paid-out by VPEG3 through the period are also reinvested back into the fund.

Performance of VPEG3 vs ASX Accum. Index from 31 January 2019 to 30 June 2022



*Since inception, from VPEG3 final close date

Across the quarter, total consolidated NAV across both VPEG3 entities, reduced by 3.4% from \$1.643 at 31 March 2022 to \$1.587 at 30 June 2022, compared to a return from the S&P/ASX200 Accumulated index of -11.9% across the same period.

A majority of the reduction in VPEG3's NAV across the quarter was attributable to a drop in the share price of the VPEG3's underlying fund's residual holdings, of previously exited and now ASX listed portfolio companies SILK Laser Clinics (ASX:SLA) and Best & Less Group (ASX:BST), that declined by 45.2% and 25.2% respectively across the quarter, as they were caught up in the negative sentiment impacting public share markets globally across the period. At the time of writing (12 August 2022) the share price of both SLA and BST have recovered by 24.3% and 22.0% respectively from their 30 June 2022 prices, indicating the likelihood of a rebound in the value of these holdings within VPEG3's portfolio, during the September 2022 quarter.

KEY PORTFOLIO DEVELOPMENTS

Across the June 2022 quarter, VPEG3 made further progress in building out its portfolio, by adding two new company investments and a bolt-on acquisition, which were either announced or completed during the quarter. In addition, it was announced that one portfolio company had signed an agreement to be sold from the underlying portfolio.

During the quarter, Mercury Capital 3 completed the acquisition of Re.Group Pty Ltd, an Australian based recycling company. The investment also facilitated the bolt-on acquisition of Polytrade by Re.Group. The merged business creates Australia's largest network of recycling facilities, establishing a clear market leader in Australia's municipal recycling market.

Also, during the quarter, Next Capital Fund IV completed an investment into Jucy, a budget car and campervan rental business that hires vehicles to travelers and backpackers across Australia and New Zealand.

In June 2022, Odyssey Fund 8 announced the sale of 100% of Mining Technologies Holdings Pty Ltd (MST) to Komatsu Ltd. The proceeds from the sale, which settled on 1 July 2022, were distributed to VPEG3 in late July 2022, providing a strong return on investment to VPEG3.

In addition, during the quarter, VPEG3 received distributions totaling \$1,951,390, from:

- Allegro Fund III, for dividends received from previously exited and now ASX listed portfolio company, Best & Less Group (ASX:BST);
- Adamantem Capital I, following the sale and leaseback of the property portfolio of underlying company, Heritage Lifecare to Centuria Capital Group;
- Adamantem Capital I, resulting from the proceeds of the redemption of redeemable preference shares in portfolio company Hellers' Group.

Once VPEG3's FY22 audited accounts are finalised during October 2022, a distribution of the above proceeds will be declared and paid to all investors.

Drawdowns during the quarter from VPEG3, totaling \$2,458,251 were paid to Advent Partners 2, Allegro Fund III, Mercury Fund 3, Next Capital Fund IV and Odyssey Fund 8 as well as for VPEG3's co-investment in Tribe Brewing. A majority of the calls were required to pay for VPEG3's share of the new underlying investments added to the portfolio. In addition, capital was also called from VPEG3 to fund follow-on and bolt-on investments completed by two portfolio companies, as well as to fund management fees, working capital and the repayment of short-term bridging loan facilities utilised by some of the underlying funds.

As at 30 June 2022, all VPEG3 Investors had Paid Capital to VPEG3, LP totalling 68% of their Committed Capital to VPEG3. Furthermore, all VPEG3 investors, with the exception of SIV investors, had Paid Capital to VPEG3A totalling 25% of their Committed Capital to VPEG3. On a consolidated basis, the total paid capital to VPEG3 by all investors, except SIV investors, is 93% of their Committed Capital to VPEG3.

VPEG3's underlying Private Equity fund managers continue to engage in active communications with the management of each portfolio company ensuring that they continue to remain sufficiently resourced and well positioned for growth. In addition, managers have recently reported an increase in deal flow, with many opportunities having more attractive acquisition metrics than had been the case across the previous 12 months. Should any of these opportunities satisfy underlying manager criteria and their extensive due diligence process, then the final set of companies will possibly be acquired and added to finalise VPEG3's portfolio, across the remainder of 2022. As at quarter end, VPEG3 had ultimately invested in 46 underlying company investments with 6 exits completed (partially or fully realised) from the portfolio.

Finally, as VPEG3's portfolio continues to mature, underlying managers are preparing more companies for exit. As further portfolio company sales occur, proceeds received from these exits will be distributed back to investors, ultimately delivering a strong risk-adjusted return to investors across the term of the Fund.

OVERVIEW OF NEW INVESTMENTS

RE. GROUP & POLYTRADE - MERCURY CAPITAL 3

On 6 April 2022, Mercury Capital Fund 3 announced the acquisition of Re.Group Pty Ltd, an Australian owned recycling company that provides high quality solutions for recycling and the recovery of resources.



Founded in 2013, Re.Group has rapidly expanded to deepen the impact of recycling work around Australia. Re.Group is the parent company of multiple entity groups which include; Re.Cycle Material Recovery Facilities, Re.Grow FOGO Processing, Return-It Container Deposit Schemes and Re.Collect Container Collection.

Mercury's investment facilitated the bolt on acquisition and merger of Polytrade within the Re.Group. Polytrade, is a recycling sorting and processing business that was founded in 1995. The combined business is headquartered in Sydney with 500+ staff, 19 operating sites and 94 collection points across major cities and regional centres in Australia.

The merged Polytrade and Re.Group will subsequently comprise of three divisions:

- I. Re.Cycle, which includes all of Re.Group and Polytrade's core municipal sorting and further processing infrastructure;
- II. Return.It, which is a market leading network operator and collector in Container Deposit Schemes (CDS) across NSW, Queensland, WA and ACT; and
- III. RDT Engineering, a specialised engineering business that designs and builds recycling facilities for council and commercial clients across Australia. This business has completed 75 turnkey projects in the last 17 years. Furthermore, it is a key internal function that will support the execution of growth projects in the broader Re.Group business over the next 3-5 years.

JUCY - NEXT CAPITAL IV

In June 2022, Next Capital IV announced an investment into Jucy, a budget car and campervan rental business that hires vehicles to travelers and backpackers across Australia and New Zealand.



Established in Auckland in 2001, Jucy's camper business is predominantly focused on car and campervan rental, servicing customers across Australia and New Zealand. Next Capital's investment into the business was reported in the media as approximately \$30 million.

Next Capital will seek to position the business to benefit from the expected rebound in Australasian tourism with the reopening of international borders.

RECENTLY ANNOUNCED EXIT

MINING TECHNOLOGIES HOLDINGS PTY LTD (MST)

In June 2022, Odyssey Private Equity Fund 8 (OPE8) announced that they had sold 100% of the shares in MST to Komatsu Ltd (Komatsu), a leading global organisation, listed on the Japanese stock exchange with a market capitalisation of \$33 billion.



Odyssey Fund 8 acquired MST in 2018 via a Management Buyout, partnering with the existing CEO and CFO to buy the business. Over the past four years, Odyssey Private Equity and the management team have positioned MST to be a global leader in the digital technology used in the underground mining space. This was as a result of several strategic initiatives implemented by Odyssey and the management team, including:

- Significantly investing in MST's product suite and technology roadmap, incorporating the latest technologies, while continuing to provide unique solutions to customers operating in harsh environments;
- Developing and launching a software suite, including a "digital twin" of an underground mine to provide customers with important operating functionality, increasing MST's recurring revenue;
- Maintaining regular dialogue with the key global buyer universe to maximise strategic value while preparing for exit.

The sale of MST, completed on 1 July 2022, delivered a strong return for OPE8 investors, including VPEG3 across a 4-year holding period. The transaction was completed on 1 July 2022, with VPEG3's share of the sale proceeds distributed to VPEG3 later that month.

PORTFOLIO STRUCTURE

VPEG3's PORTFOLIO STRUCTURE - 30 JUNE 2022

The tables and charts below provide information on the breakdown of VPEG3's investments as at 30 June 2022.

CURRENT INVESTMENT 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.

VPEG3 Portfolio Breakdown			
Cash	Fixed Interest Investments	Private Equity	
3.5%	3.1%	Later Expansion	28.7%
		Buyout	64.7%

PRIVATE EQUITY PORTFOLIO

VPEG3, with commitments to seven Private Equity funds and two co-investments, ultimately had invested in 46 underlying company investments with 6 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 June 2022, 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	\$7.93m	6	1
Odyssey Private Equity Fund 8	\$275m	2017	Mid Market Growth Capital	\$7.0m	\$5.61m	6	1
Advent Partners 2 Fund	\$300m	2017	Mid Market Expansion / Buyout	\$10.0m	\$8.92m	7	1
Allegro Fund III	\$290m	2017	Mid Market Expansion / Buyout	\$12.0m	\$7.84m	6	2
Anchorage Capital Partners Fund III	\$350m	2017	Mid Market Expansion / Buyout	\$10.0m	\$7.81m	4	-
Mercury Capital Fund 3	\$600m	2019	Mid Market Expansion	\$7.5m	\$6.08m	9	1
Next Capital Fund IV	\$275m	2019	Mid Market Expansion	\$10.0m	\$4.55m	6	-
Co-invest (Fitzpatrick Financial Group)	\$200m	2017	Mid Market Expansion	\$0.25m	\$0.28m	1	-
Co-invest (Tribe Brewing)	\$30m	2018	Mid Market Expansion	\$0.80m	\$0.72m	1	-
Total				\$67.55m	\$49.72m	46	6

Note; 1. total no. of investee companies only includes completed investments as at 30 June 2022

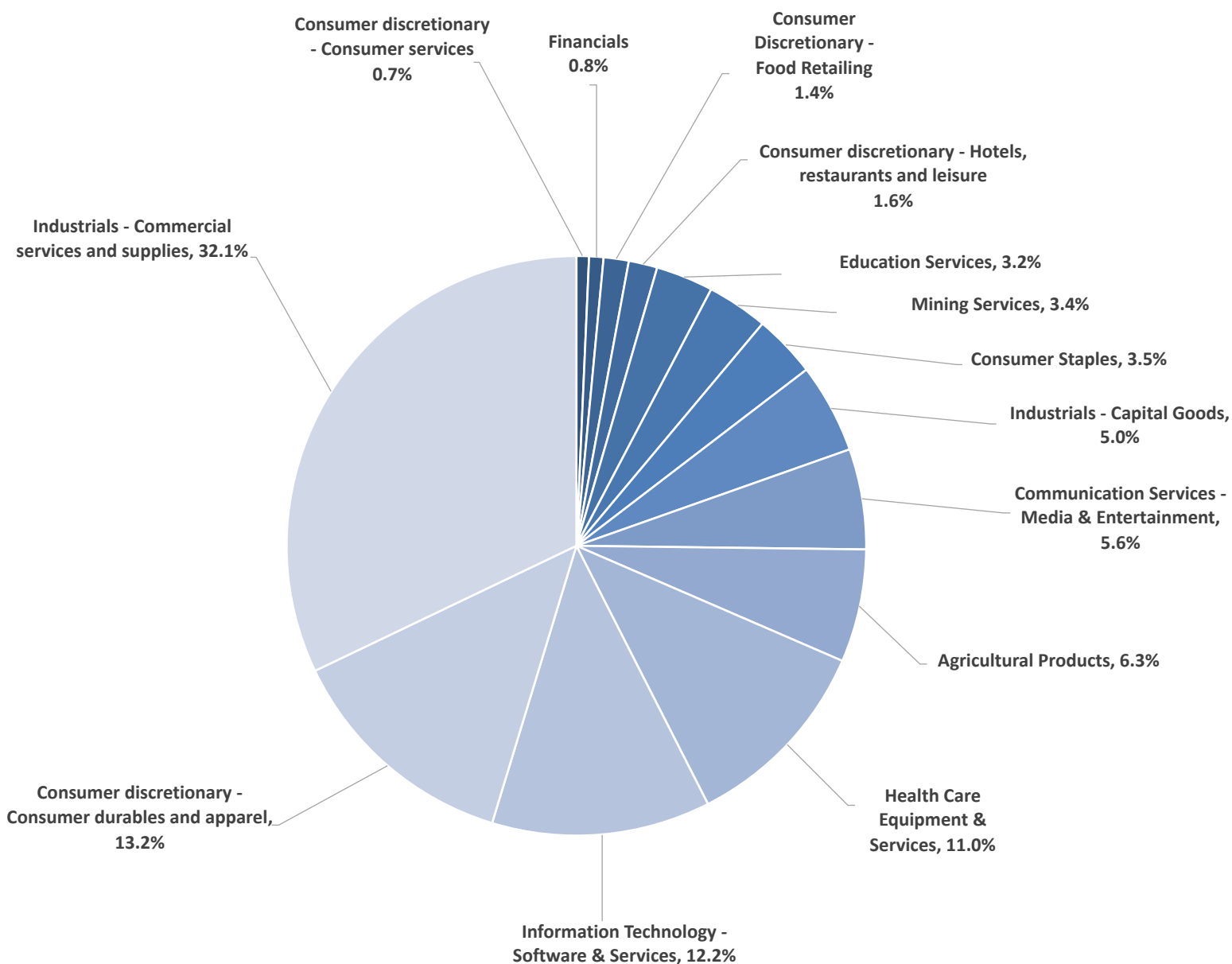
SUMMARY OF VPEG3's UNDERLYING PRIVATE EQUITY INVESTMENTS

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 June 2022. As VPEG3 investee Allegro Fund III retains a significant minority in previously exited now ASX listed portfolio company Best & Less Group (ASX:BST), the remaining value is represented in VPEG3's investment portfolio pending the completion of that funds escrow arrangements with the market, until release of the Company's H1 FY23 financial results in February 2023.

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	9.1%	9.1%
2	Railfirst Management	Anchorage Capital Partners Fund III	Rail Leasing Business	7.4%	16.4%
3	Toll Group	Allegro Fund III	An Australian transportation and logistics company with operations on road, rail, air, sea and warehousing	6.4%	22.9%
4	Questas Group	Allegro Fund III	Network of niche industrial businesses across Australia	5.8%	28.6%
5	Compass Education	Advent Partners 2 Fund	Student Information System Software / Services Provider	5.1%	33.8%
6	Silverchef	Next Capital IV	Rental & Financing of Commercial Equipment	5.0%	38.8%
7	ARE Media Group	Mercury Capital Fund 3	Australia's leading magazine publisher	4.3%	43.1%
8	Mining Technologies Holding Pty Limited	Odyssey Private Equity Fund 8	Leading Global Provider of Data & Voice Communications	3.4%	46.4%
9	Medtech	Advent Partners 2 Fund	Provider of Practice Management Software (PMS)	3.3%	49.7%
10	Endeavour Learning Group	Allegro Fund III	Australia's largest higher education provider in natural therapies	3.2%	52.9%

INDUSTRY SPREAD OF VPEG3's UNDERLYING INVESTMENTS

VPEG3's exposure to the "Industrial – Commercial Services and Supplies" industry sector which consists of; Questas Group, RailFirst Management, Toll Global Express, Specialised Linen Services, Scott's Refrigerated Logistics, Legend Corporation, ResourceCo, Eptec Group, TM Insight, Enviropacific and Architectus represents VPEG3's largest industry sector exposure, at 32.1% of VPEG3's total private equity portfolio at June quarter end.



Figure; Industry exposure of VPEG3's underlying investments

MARKET & ECONOMIC UPDATE

Australian and global markets experienced an eventful June quarter, as governments and central banks continued to navigate the economic fall-out of the pandemic, the Russian invasion of Ukraine and domestically, the flooding crisis in New South Wales and Queensland.

The dominant economic concern emanating from these events is the surge in inflation. As CPI measures trend to historical highs in many countries, central banks have commenced policy tightening measures in an effort to combat the rising cost of living. A major contributing factor in Australia has been energy costs, which have not only been impacted by ongoing supply issues from Russia, but a reduction in the thermal power domestically due to unplanned outages at multiple generators. This has been exacerbated by a sharp increase in demand resulting from extreme weather events in New South Wales and Queensland. The east coast floods have also significantly impacted the supply of fresh fruits and vegetables, driving up the price of food and further contributing to the spike in inflation.

The Reserve Bank of Australia (RBA) responding to inflationary pressures with three consecutive cash rate increases of 50 basis points in June, July and August, bring the overall cash rate to 1.85%. The RBA have indicated that further increases to the cash rate are likely over the remainder of the calendar year, as they endeavour to bring the inflation rate of 6.1% for the twelve months to June 2022, back in the 2-3% target range.

On a positive note, in April 2022, the Australian Government announced a relaxing of testing requirements for all travellers to Australia. This has since stimulated inbound tourism, with (at current rates) numbers forecast to reach pre-pandemic levels by the end of the calendar year. Further, Australian consumer spending is still riding the re-opening momentum that emerged from previous lockdowns. It continues to be supported by the high level of household savings accumulated over the pandemic, a dynamic that is expected to endure through the September quarter. Underpinning this is Australia's strong labour market, where key employment measures such as unemployment, underemployment and participation rates are trending at positive historical levels. These factors will allow Australia to approach the challenging economic period ahead from a position of strength, with households and businesses better equipped to weather the storm.

Despite the uncertainty, M&A activity remained strong, with a record \$140 billion worth of deals being announced in Australia and New Zealand in the first six months of 2022. This represents the highest value of completed deals within a six-month period since 2007. In private equity 11 buyout deals were completed (ten in Australia and one in New Zealand) as well as four exits (all in Australia). There has been an uptick of activity across the June 2022 quarter, with a number of high quality opportunities within the lower to mid market segment presented to VPEG3's underlying managers. As such, VPEG3's managers are starting to enter later stage negotiations on a number of acquisitions and exits, which, once completed, will be reflected in VPEG3's portfolio across the remainder of the 2022 calendar year.

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