



QUARTERLY REPORT



VANTAGE PRIVATE EQUITY GROWTH 3

QUARTERLY INVESTOR REPORT
30 JUNE 2023

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

SUMMARY cont.

Allegro Fund III approves of the off-market cash takeover bid of previously exited and now ASX listed portfolio company Best and Less Group (ASX:BST) at \$1.89 per share, with the sale proceeds representing approximately \$76 million

GBST Wealth Management, an Anchorage Capital Partners Fund III portfolio company, completes the bolt-on acquisitions of Wealthconnects and Advice Intelligence

VPEG3 maintains its high performance as the portfolio matures delivering a net return of 18.0% p.a. since inception to 30 June 2023

As at 30 June 2023, VPEG3 had committed \$67.55 million across seven Primary Private Equity Funds and two co-investments. As a result, VPEG3 had ultimately invested in 50 underlying company investments with 9 exits completed (partially or fully realised) from 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 \$0.80 million into Tribe Brewing.

PERFORMANCE

VPEG3 has had another strong quarter, with valuations seeing an uplift across the portfolio, as well as an uplift in exit activity resulting in the sale of shares held in a previously exited and now ASX listed portfolio company. As the Fund further matures, VPEG3's performance continues to progress in line with the Fund's investment objective of delivering

investors strong risk adjusted returns across the medium to long-term. As at 30 June 2023 VPEG3's Total Value to Paid In (TVPI) ratio represents 1.68x since inception.

As the Fund is well within its divestment stage, managers are diligently positioning each portfolio company for a successful exit. Upon these exits being completed and distributions received by VPEG3, the realised proceeds will ultimately be distributed back to VPEG3 investors, further delivering investors with strong risk adjusted returns. As at 30 June 2023, VPEG3 has distributed a consolidated total of \$0.199 per \$ of Committed Capital, which includes \$0.101 distributed during FY23.

As at 30 June 2023, VPEG3 has delivered a net return to investors of 18.0% p.a. since the Fund's inception.

The below table provides a summary of the performance of VPEG3's portfolio as at 30 June 2023.

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	1.00	1.477	0.199	1.676	18.0%

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

Across the quarter, VPEG3's Net Asset Value (NAV) increased 5.6% from \$1.398 at 31 March 2023 to \$1.477 as at 30 June 2023. The increase in NAV was predominately due to VPEG3, LP issuing Capital Call No.12 totalling \$0.07 per Dollar of Committed Capital to VPEG3 on 19 April 2023. Following the payment of this call, all NON-SIV investors with exposure to both VPEG3, LP and VPEG3A, have now fully paid in 100% of their Committed Capital to VPEG3 as at 30 June 2023.

KEY PORTFOLIO DEVELOPMENTS

Across the quarter, VPEG3's underlying managers made further progress in building out the portfolio with the completion of two bolt-on acquisitions being added to the operations of one existing portfolio company at quarter end. In addition, the unrealised portion of a previously exited portfolio company, was sold post the completion of the quarter end.

During April 2023 and June 2023, GBST Wealth Management, an Anchorage Capital Partners Fund III portfolio company, completed the bolt-on acquisitions of Wealthconnects and Advice Intelligence. WealthConnects is a Melbourne-based global developer and owner of world leading front office cloud based wealth management SaaS solution, built on the Salesforce Financial Services Cloud platform. Advice Intelligence is an award-winning cloud-based end-to-end financial planning software solution. These strategic acquisitions align seamlessly with GBST Wealth Management's commitment to delivering enhanced financial planning services to its clients, positioning the company as a leader in delivering top-tier solutions to meet diverse financial needs.

In May 2023, Allegro Fund III portfolio company Best and Less Group (ASX:BST) received a cash, off-market takeover offer of all its securities for A\$1.89 per share by Ray Itaoui and BBRC, a company associated with Brett Blundy, a non-executive director of BST and well-known investor in consumer retailing businesses. The cash offer of \$1.89 per share represented a 4.8% discount to the prior day closing price of \$1.985 per share. At the time of the off market take over offer, Allegro Fund III had a 32.8% share holding, which represented 40,659,591 shares. The sale proceeds represent approximately \$76 million which was distributed to Allegro at completion of the take over on 3 July 2023.

During the quarter, VPEG3 received distributions totalling \$1,547,390 from;

- Next Capital Fund IV reflecting the dividend and Return of Capital payment from underlying portfolio company Silverchef; and
- Allegro Fund III as a result of the dividend and Return of Capital payments from underlying portfolio companies Questas Group and Camp Australia.

Following the receipt of these distributions, as well as VPEG3's share of the sale proceeds of Best & Less Group (received during July 2023), it is anticipated that a distribution will be paid to VPEG3 investors during September 2023.

Drawdowns during the quarter from VPEG3, totaling \$275,756 were paid to Advent Partners 2 Fund, Allegro Fund III and Odyssey Private Equity Fund 8. The majority of the amount was paid to Allegro for follow-on investments into portfolio companies Perth Radiological Clinics and Endeavour Education. The remaining capital was called to fund management fees and working capital requirements by underlying funds.

As at 30 June 2023, all VPEG3 Investors had Paid Capital to VPEG3, LP totalling 75% 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 for SIV investors, is 100% of their Committed Capital to VPEG3.

PORTFOLIO STRUCTURE

VPEG3's PORTFOLIO STRUCTURE

The tables and charts below provide information on the breakdown of VPEG3's investments as at 30 June 2023.

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.

VPEG3 Portfolio Breakdown			
Cash	Fixed Interest Investments	Private Equity	
0.3%	8.5%	Later Expansion	35.3%
		Buyout	55.9%

PRIVATE EQUITY PORTFOLIO

VPEG3, with commitments to seven Private Equity funds and two co-investments, ultimately had invested in 50 underlying company investments with 9 exits completed (partially or fully realised) from the portfolio at quarter end. As a result, VPEG3's Private Equity commitments and investments, as at 30 June 2023, 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	\$8.46m	6	1
Odyssey Private Equity Fund 8	\$275m	2017	Mid Market Growth Capital	\$7.0m	\$6.10m	6	1
Advent Partners 2 Fund	\$300m	2017	Mid Market Expansion / Buyout	\$10.0m	\$9.03m	7	1
Allegro Fund III	\$290m	2017	Mid Market Expansion / Buyout	\$12.0m	\$8.36m	7	2
Anchorage Capital Partners Fund III	\$350m	2017	Mid Market Expansion / Buyout	\$10.0m	\$9.87m	5	2
Mercury Capital Fund 3	\$600m	2019	Mid Market Expansion	\$7.5m	\$6.83m	10	1
Next Capital Fund IV	\$275m	2019	Mid Market Expansion / Buyout	\$10.0m	\$6.18m	7	-
Co-invest (Fitzpatrick Financial Group)	\$200m	2017	Mid Market Expansion	\$0.25m	\$0.29m	1	-
Co-invest (Tribe Brewing)	\$30m	2018	Mid Market Expansion	\$0.80m	\$0.72m	1	1
Total				\$67.55m	\$55.84m	50	9

Note; 1. Total no. of investee companies only includes completed investments as at 30 June 2023

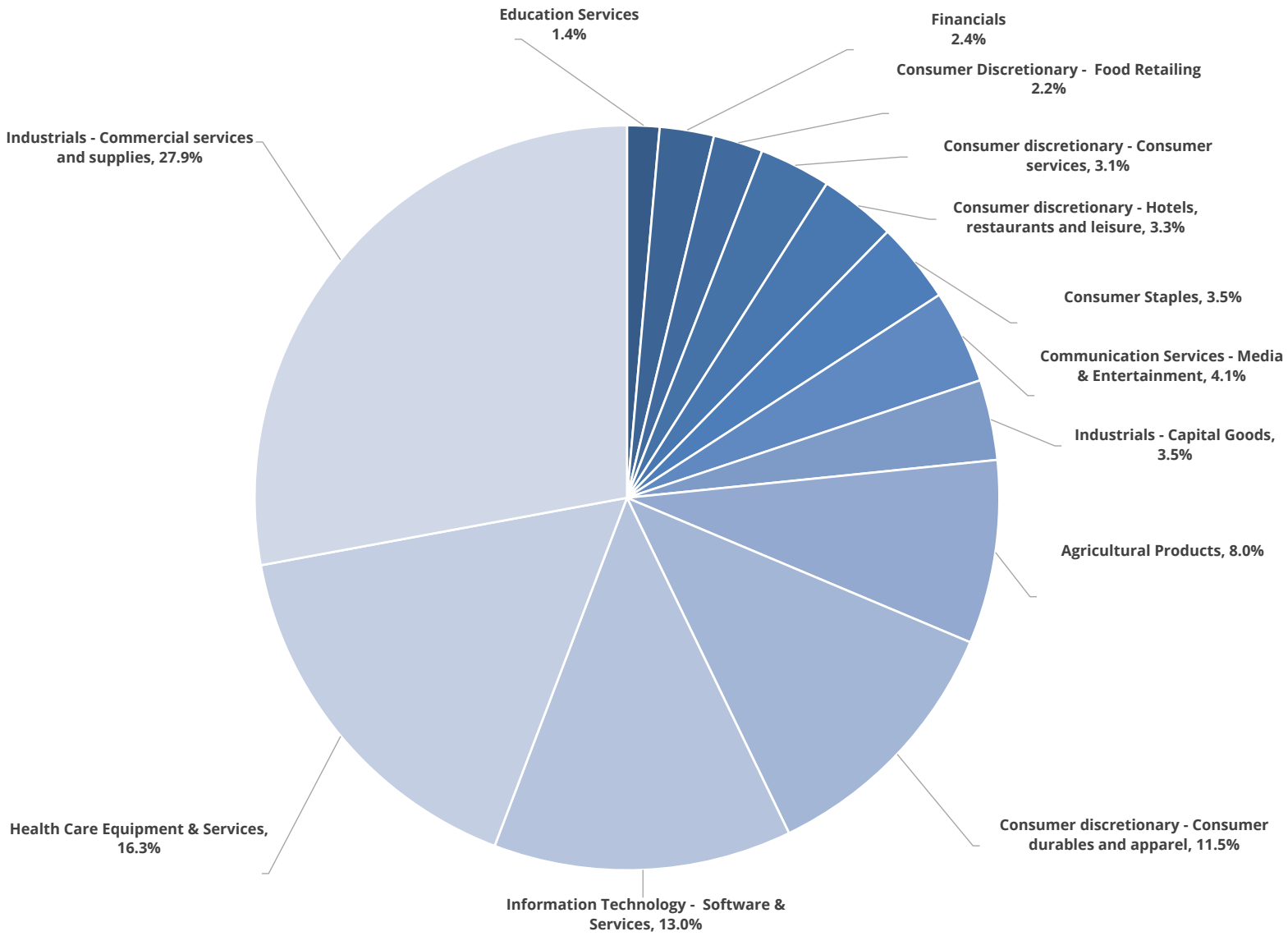
SUMMARY OF VPEG3's Top 10 UNDERLYING PRIVATE EQUITY INVESTMENTS

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 2023. The largest single exposure belongs to Allegro Fund III's residual holding in ASX-listed Best & Less Group (ASX:BST). The top 10 investments held within the portfolio comprise 48.37% of the total private equity exposure.

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	7.39%	7.39%
2	Questas Group	Allegro Fund III	Network of niche industrial businesses across Australia	7.12%	14.51%
3	Team Global Express (previously Toll Global Express)	Allegro Fund III	An Australian transportation and logistics company with operations on road, rail, air, sea and warehousing	5.28%	19.79%
4	GBST Wealth Management	Anchorage Capital Partners Fund III	Financial services technology provider to the global wealth market	5.06%	24.85%
5	Compass Education	Advent Partners 2 Fund	Student Information System Software / Services Provider	4.79%	29.64%
6	Medtech	Advent Partners 2 Fund	Provider of Practice Management Software (PMS)	4.69%	34.33%
7	Delta Agribusiness	Odyssey Private Equity Fund 8	Provider of Agriculture Products and Independent Rural Services	3.56%	37.89%
8	Hygain	Adamantem Capital fund I	Australian Horse Feed & Supplement Manufacturer & Distributor	3.50%	41.89%
9	Hellers	Adamantem Capital fund I	Producer of Processed Meats in New Zealand	3.49%	44.89%
10	Silverchef	Next Capital IV	Rental & Financing of Commercial Equipment	3.49%	48.37%

INDUSTRY SPREAD OF VPEG3’s UNDERLYING INVESTMENTS

VPEG3’s exposure to the “Industrial – Commercial Services and Suppliers” industry sector which consists of Questas Group, Toll Global Express, Specialised Linen Services, Legend Corporation, ResourceCo, Eptec Group, TM Insight, Enviropacific and Architectus represents VPEG3’s largest industry sector exposure, at 27.9% of VPEG3’s total private equity portfolio at June quarter end.



Figure; Industry exposure of VPEG3’s underlying investments

MARKET & ECONOMIC UPDATE

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. In the context of exit environment, despite the prevailing sluggishness in deal flow, VPEG3's underlying managers have reported a noteworthy surge in inbound intermediated origination activity over the course of the quarter as investors seek to acquire resilient private equity backed assets. This suggests a positive environment for VPEG3's underlying managers to exit portfolio companies that have achieved their investment objectives and are demonstrating maintainable earnings. VPEG3's underlying managers report that they are in ongoing discussions and negotiations for the exit of a number of portfolio companies, which are expected to be completed over the next three to six months, ultimately delivering further returns to VPEG3 investors.

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