



QUARTERLY REPORT



VANTAGE PRIVATE EQUITY GROWTH 3

QUARTERLY INVESTOR REPORT
30 SEPTEMBER 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

Allegro Fund III announces the sale of Endeavour Learning Group to UP Education, a Pacific Equity Partners ("PEP") portfolio company that is a diversified market-leading multi-sector education group

As at 30 September 2023, VPEG3's Total Value to Paid In (TVPI) ratio stands at 1.676x.

VPEG3 maintains its high performance as the portfolio matures, with the Fund delivering a net of fees return of 16.5% p.a. since inception to 30 September 2023

SUMMARY cont.

As at 30 September 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 10 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

The September 2023 quarter saw a stable period, with valuations across the portfolio remaining largely consistent with June 2023 performance. Underlying managers are currently in advanced discussions to exit a number of portfolio companies, which are expected to be sold by the end of the calendar year and across 2024. As the Fund continues to mature,

VPEG3's performance continues to perform in line with the manager's expectations with the fund's investment objective, which is to provide investors with strong, risk-adjusted returns over the medium to long term. As at 30 September 2023, VPEG3's Total Value to Paid In (TVPI) ratio stands at 1.676x since the Fund's inception in January 2019.

As a result, VPEG3 has delivered a net annualised return to investors of 16.5% p.a., since the Fund's inception in January 2019 to 30 September 2023.

The table below provides a summary of the performance of VPEG3's portfolio as at 30 September 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	1.454	0.199	1.653	16.5%

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

Across the quarter, VPEG3 Net Asset Value (NAV) decreased 1.5% from \$1.477 at 30 June 2023 to \$1.454 as at 30 September 2023. The slight reduction in VPEG3's NAV across the quarter was attributable to the expenses of the Fund exceeding increases in VPEG3's portfolio valuations across the period.

KEY PORTFOLIO DEVELOPMENTS

Across the quarter, VPEG3's underlying managers made progress in the sell-down of the Fund's underlying portfolio companies, with the partial sale of one portfolio company during the quarter.

In July 2023, Allegro Fund III announced the sale of Endeavour Learning Group to UP Education, a Pacific Equity Partners ("PEP") portfolio company. UP Education is a large, diversified market-leading multi-sector education group that delivers Vocational Education and training, Higher Education, University Partnerships and Online Education across Australasia.

During the quarter, VPEG3 received distributions totalling \$3,457,728 from;

- Allegro Fund III, as a result of the completion of the off-market-takeover offer of ASX listed portfolio company Best & Less Group, as well as from the interest earned from that Fund's debt holding in Camp Australia.
- Advent Partners 2 Fund, as a result of the debt refinance and recapitalisation of the underlying portfolio company Medtech.

As a result of these distributions being received by VPEG3 during the September 2023 quarter, VPEG3, LP will be conducting a distribution to all SIV and NON-SIV investors totalling **\$0.09 per dollar of investors committed capital to VPEG3** during November 2023.

In addition, following the end of the 2023 financial year, a distribution of **\$0.08 per committed capital was declared by the Trustee of VPEG3A**, representing the net taxable income of VPEG3A for the period ended 30 June 2023. This distribution was paid on the 26th October 2023, to all investors in VPEG3, except for SIV investors who are not Unitholders in VPEG3A.

Drawdowns during the quarter from VPEG3, totaling \$166,838 were paid to Advent Partners 2 Fund, Allegro Fund III, Odyssey Private Equity Fund 8 and Co-investment No.1 Fitzpatrick Financial. The majority of the amount was paid to Allegro for the follow-on investment into portfolio company Perth Radiological Clinics. The remaining capital was called to fund management fees and working capital requirements by underlying funds.

As at 30 September 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 SIV investors, is 100% of their Committed Capital to VPEG3.

REMINDER OF VPEG5's FINAL CLOSE 17TH DECEMBER 2023

VPEG5 continues the same successful investment strategy implemented by Vantage's previous Private Equity Growth Funds, which at 30 June 2023 had investments across **31 Australian Private Equity Funds**, who in turn had invested in **169 companies** across a broad range of industry sectors and had **exited (sold) 88 of these investments** generating a gross **2.9x multiple of invested capital** delivering an average gross **Internal Rate of Return of 49.7% p.a.**

VPEG5 with a target fund raise of \$250m, has made investment commitments, totalling \$169 million as at 30 September 2023, across eight primary private equity funds (all now closed to new investors) and four co-investments. As a result, 16 unique underlying investments exist within VPEG5's portfolio.

VPEG5's investment commitments include \$25 million to each of Anchorage Capital Partners Fund IV and Allegro Fund IV; \$20 million to each of Advent Partners 3 Fund, CPE Capital 9, Riverside Australia Fund IV, Next Capital Fund V and \$15 million to Mercury Capital Fund twenty2. VPEG5's co-investments include \$1 million to each of Gull New Zealand, EventsAir, CompareClub and Pac Trading.

An investment application can be made through Vantage's secure online application process by clicking on the link below;

[INVEST IN VPEG5 NOW >>](#)

If you wish to learn more about VPEG5 as a potential investment opportunity, please contact Vantage's Investor Services Team via email info@vantageasset.com to request for further information or schedule a meeting with a Vantage Principal.

DAVID JONES



evolve
education group



OVERVIEW OF ANNOUNCED EXIT

ENDEAVOUR LEARNING GROUP – ALLEGRO FUND III

In July 2023, Allegro Fund III announced the sale of Endeavour Learning Group to UP Education, a Pacific Equity Partners (“PEP”) portfolio company. UP Education is a large, diversified market-leading multi-sector education group that delivers Vocational Education and training, Higher Education, University Partnerships and Online Education across Australasia.



Acquired in 2018, Endeavour was the second investment in Allegro Fund III and over this period Allegro has successfully implemented a number of transformational changes, including separating it from its UK-based parent, establishing a local team and capability, launching new courses and significantly increasing the quality of the digital learning experience.

UP Education operates in Australia and New Zealand, educating approximately 23,000 students each year across 50 campuses and 19 cities with approximately 1,200 employees. The UP Group is led by a capable management team and has more than triple earnings since PEP acquired the business in 2016. Since PEP has acquired the business, UP has made 12 bolt-on acquisitions, and Endeavour represents an attractive strategic fit for UP given its market leadership in natural health higher education and national campus network.

The sale involves Endeavour being merged into the larger UP business, with Allegro Fund III rolling the proceeds of sale into UP’s holdo shares alongside PEP and its existing investors.

PORTFOLIO STRUCTURE

VPEG3's PORTFOLIO STRUCTURE

The tables and charts below provide information on the breakdown of VPEG3's investments as at 30 September 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	
0.4%	13.1%	Later Expansion	35.4%
		Buyout	51.1%

PRIVATE EQUITY PORTFOLIO

VPEG3, with commitments to seven Private Equity funds and two co-investments, ultimately had invested in 50 underlying company investments with 10 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 September 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	\$6.12m	6	1
Advent Partners 2 Fund	\$300m	2017	Mid Market Expansion / Buyout	\$10.0m	\$9.04m	7	1
Allegro Fund III	\$290m	2017	Mid Market Expansion / Buyout	\$12.0m	\$8.49m	7	3
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	\$0.30m	1	-
Co-invest (Tribe Brewing)	\$30m	2018	Mid Market Expansion	\$0.80m	\$0.72m	1	1
Total				\$67.55m	\$56.00m	50	10

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

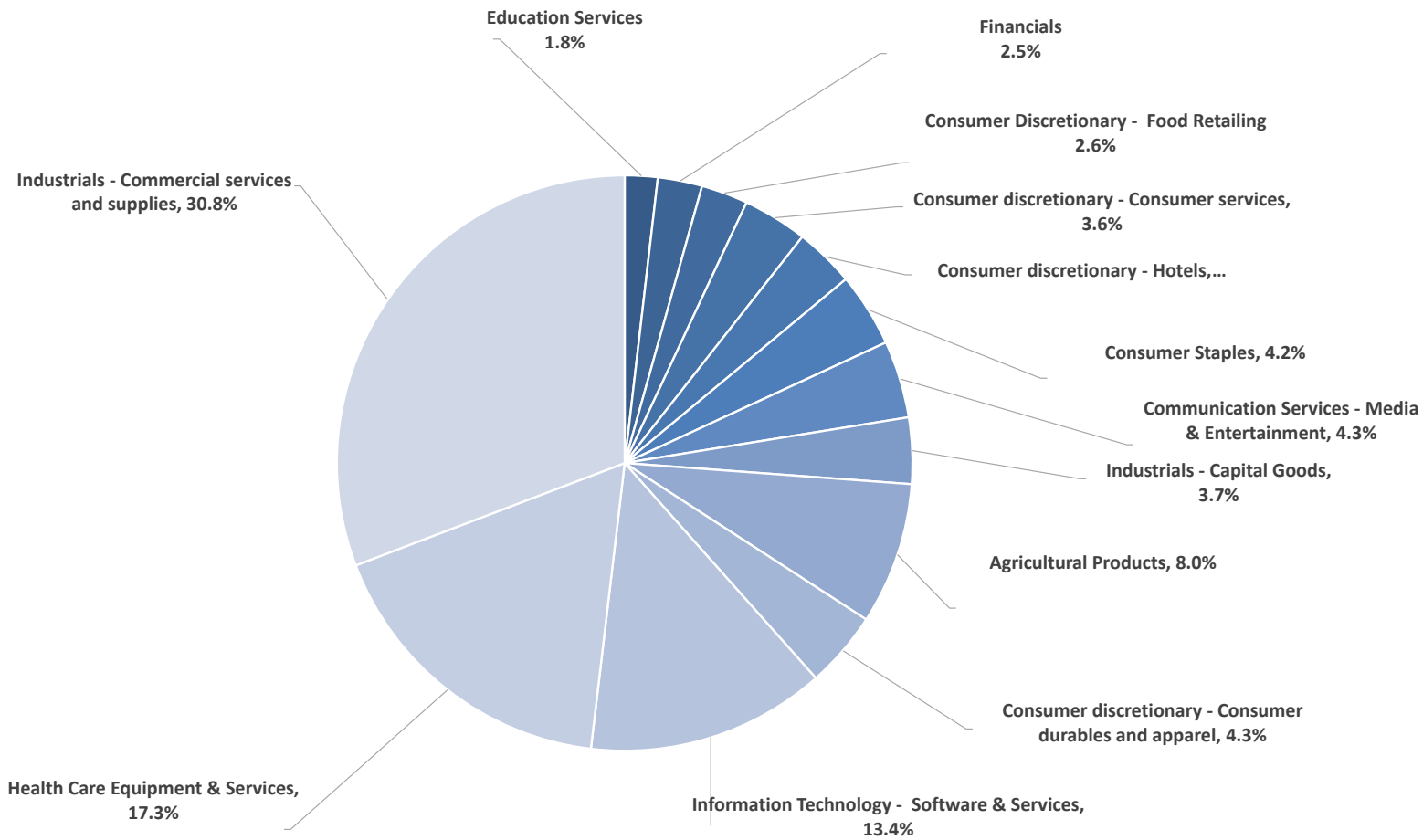
SUMMARY OF VPEG3's Top 10 UNDERLYING PRIVATE EQUITY INVESTMENTS

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 September 2023. The top 10 investments held within the portfolio comprise 48.1% of the total private equity exposure.

Rank	Investment	Fund	Description	% of VPEG3's Private Equity Investments	Cumulative %
1	Questas Group	Allegro Fund III	Network of niche industrial businesses across Australia	9.4%	9.4%
2	GBST Wealth Management	Anchorage Capital Partners Fund III	Financial services technology provider to the global wealth market	5.4%	14.8%
3	Team Global Express	Allegro Fund III	An Australian transportation and logistics company with operations on road, rail, air, sea and warehousing	5.0%	19.7%
4	Compass Education	Advent Partners 2 Fund	Student Information System Software / Services Provider	4.7%	24.4%
5	Medtech	Advent Partners 2 Fund	Provider of Practice Management Software (PMS)	4.4%	28.9%
6	Perth Radiological Clinics	Allegro Fund III	Western Australia's largest medical diagnostic imaging provider	4.2%	33.1%
7	Hygain	Adamantem Capital fund I	Australian Horse Feed & Supplement Manufacturer & Distributor	4.2%	37.2%
8	Delta Agribusiness	Odyssey Private Equity Fund 8	Provider of Agriculture Products and Independent Rural Services	3.7%	41.0%
9	Silverchef	Next Capital IV	Rental & Financing of Commercial Equipment	3.7%	44.7%
10	South Pacific Laundry	Anchorage Capital Partners Fund III	Leading national laundry operator	3.4%	48.1%

INDUSTRY SPREAD OF VPEG3's UNDERLYING INVESTMENTS

VPEG3's exposure to the "Industrial – Commercial Services and Suppliers" industry sector which consists of: Questas Group, Team Global Express, Specialised Linen Services, Legend Corporation, ResourceCo, Eptec Group, TM Insight, Enviropacific and Architectus represents VPEG3's largest industry sector exposure, representing 30.8% of VPEG3's total private equity portfolio at September quarter end.



Figure; Industry exposure of VPEG3's underlying investments

MARKET & ECONOMIC UPDATE

While not devoid of its challenges, the outlook for both Australia and New Zealand appears positive. Covid-related issues seem to have become a thing of the past, with both economies displaying their resilience. A modest number of residual pandemic issues remain, manifesting as some supply chain problems and a weakness in commercial real estate caused by hybrid work practices. These are being addressed as a matter of routine.

In contrast to the United States, both countries have functioning democratic processes. In mid-October, Australia held a national and somewhat controversial referendum related to Aboriginal rights. Simultaneously, New Zealand held a general election. The campaigns leading up to these events were not without emotion, and the results did not necessarily align with expectations. Nevertheless, there was no civil unrest following the outcomes, and the losing parties in both countries accepted the results.

Geopolitically, the near-term outlook is somewhat mixed. Australia and New Zealand have managed to avoid direct repercussions from the conflict in Ukraine and have arguably benefited from the ongoing strength in food and agricultural exports, as well as energy shipments.

The geopolitical outlook and relationship with China pose a more pressing challenge due to its role as a major trading partner, its more assertive regional stance, and its obvious proximity. New Zealand has managed its relationship with China more adeptly than Australia and consequently enjoys a more positive rapport. With a significant shift towards right-wing politics and a change of government, New Zealand's approach to dealing with China may be less accommodating than it was under the previous NZ Labour government. The acid test of this will come if New Zealand follows Australia into regional defence alliances.

China remains Australia's most substantial near-term challenge from both a political and trade perspective. Australia's new government is making gradual progress, but it faces a slow pace of change, with forward steps often accompanied by sidesteps or even reversals. On a positive note, Chinese Australian journalist Cheng Lei was recently released from Chinese detention after three years of incarceration on questionable charges.

On the negative side of the ledger, the removal of trade sanctions against various Australian exports has taken longer than anticipated. While an agreement regarding wine exports seems to have been reached, it was not a straightforward process. At the eleventh hour, the Chinese government attempted to link the release of Australian wine imports with the removal of anti-dumping actions brought by Australian Customs against various Chinese steel products. There was no direct or evident connection between the two industries, but the Chinese government opportunistically sought to improve their position.

While the medium-term trend in inflation appears positive, recent short-term fluctuations in Australian inflation figures and employment statistics in both countries are causes for concern. Both countries are currently experiencing full employment and tight labor markets. Core inflation remains relatively high, prompting both central banks to consider the possibility of further interest rate hikes. Even if such rate increases do not materialize, there is a broad consensus that it will be some time before interest rate reductions become a topic of discussion. Any additional rise in energy costs, whether in the form of oil or gas, could further exacerbate the situation.

With New Zealand's OCR set at 5.5%, interest rates in the country remain higher than those in most other developed nations worldwide. In contrast, the RBA has taken a slightly more measured approach, with current rates at 4.1%. However, in its most recent meeting, the RBA expressed ongoing concerns about inflation and hinted at the possibility of a rate increase when it convenes in November. This more moderate stance on interest rates appears to have helped avert the housing and credit crises that some people had predicted. The residential real estate market in Australia remains stronger than expected but has not experienced the same level of exuberance as seen in New Zealand.

There is always a degree of risk that the growth forecasts for both countries may fall short of expectations. Factors that could contribute to such a scenario include the resurgence of inflation, possibly linked to higher oil prices. A greater risk likely stems from unforeseen geopolitical events or, indeed, from a "black swan" event.

Should any of these circumstances occur, it is worth noting that both countries have operational democratic processes, relatively modest debt-to-GDP ratios (especially when compared to many other developed economies), and robust banking systems, providing some level of comfort.

AUSTRALIA AND NEW ZEALAND CURRENT PRIVATE EQUITY CONDITIONS

Private equity activity in Australia continues to move at a moderate pace, though there was a slight increase during the September quarter. Nine acquisitions were either announced or completed in various sectors, including financial services, retail, healthcare, and software. Notable deals involved three transitions from public to private ownership in the large-cap sector. Additionally, nine exits were announced or completed during the same quarter.

The public initial public offering (IPO) market remains largely inaccessible for most transactions. Concerns persist regarding a decelerating economic environment and shrinking profit margins, with the full cost impacts of inflation unable to be passed on to customers. There is a growing emphasis on the prospects of consumer discretionary companies that grapple with both cost inflation and dwindling consumer confidence. Local investment banks are streamlining their equity capital markets and deal teams in anticipation of a prolonged period of reduced market activity.

Debt markets, on the other hand, remain open and continue to attract interest from commercial banks and credit funds seeking appropriate levels of leverage. However, a discernible "risk-off" approach is observable among the major trading banks, and this trend may manifest further in the upcoming months.

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