

QUARTERLY REPORT

VANTAGE PRIVATE EQUITY GROWTH 3

QUARTERLY INVESTOR REPORT
31 DECEMBER 2023

VPEG3

DIVERSIFY
GROW
OUTPERFORM



TABLE OF CONTENTS

- 3** SUMMARY
- 4** PERFORMANCE
- 5** KEY PORTFOLIO DEVELOPMENTS
- 6** PORTFOLIO STRUCTURE
- 10** MARKET & ECONOMIC UPDATE

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 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 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

Wesfarmers Limited (WES.ASX) completes the acquisition of Advent Partners 2 portfolio company, SILK Laser Clinics Limited (SLA.ASX), via a Scheme of Arrangement, facilitating the final sale of the residual shares held by Advent in SILK

VPEG3 distributes a total of \$0.17 per dollar of committed capital to investors across VPEG3, LP and VPEG3A.

The Distributed to Paid-In (DPI) multiple for VPEG3 on a consolidated basis across VPEG3, LP and VPEG3A increases to 0.37x

VPEG3 continues to perform as the portfolio matures, with the Fund delivering a net return of 14.4% p.a. since inception to 31 December 2023

SUMMARY cont.

As at 31 December 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 December 2023 quarter saw a period of continued improvement and stability in the operating environment across VPEG3's portfolio of companies, with valuations across the portfolio seeing a slight increase across the quarter. The period also saw a heightened level of M&A activity, which witnessed the successful Scheme of Arrangement entered into between Wesfarmers Limited (WES.ASX) acquired Advent Partners 3 investee, SILK Laser Clinics Limited (SLA.ASX), which facilitated the final sale of shares held by Advent Partners 2 in that portfolio company.

Following the receipt of the proceeds of the sale of SILK Laser Clinics, VPEG3, LP distributed \$0.09 per dollar of committed capital to all VPEG3 investors on 21 November 2023. Additionally, a distribution was also paid to all VPEG3A investors totalling \$0.08 per dollar of committed capital to the Fund during October 2023, which represented the net taxable income of VPEG3A for the period ended 30 June 2023.

As a result of these distributions being paid during the quarter, the Distributed to Paid-In (DPI) multiple for VPEG3, LP and VPEG3A increased to 0.24x and 0.13x, respectively which on a consolidated basis represents 0.37x. As at 31 December 2023, VPEG3's Total Value to Paid In (TVPI) ratio stands at 1.66x since the Fund's Final Close in January 2019.

The table below provides a summary of the performance of VPEG3's portfolio as at 31 December 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	\$1.289	\$0.369	\$1.658	14.4%

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

In addition, underlying managers are currently in advanced discussions to exit a number of portfolio companies, which are expected to be sold throughout the 2024 calendar year. As the fund continues to mature, VPEG3's performance will continue to perform in line with the manager's expectations with the fund's investment objective, which is to provide investors with solid, risk-adjusted returns over the life of the Fund.

As at 31 December 2023, VPEG3 has delivered a net annualised return to investors of 14.4% p.a., since the Fund's inception in January 2019.

Across the quarter, VPEG3 Net Asset Value (NAV) decreased from \$1.455 at 30 September 2023 to \$1.287 as at 31 December 2023. The decrease in NAV resulted from the \$0.17 per dollar of committed capital distributed to VPEG3 investors during the period. Net of these distributions, VPEG3's NAV increased by 0.34% across the period as a result of an improvement in the value of the portfolio of companies across the quarter.

KEY PORTFOLIO DEVELOPMENTS

Across the quarter, VPEG3's underlying managers made progress in the divestment of the Fund's underlying portfolio companies, with the final sale of the remaining shares held in one previously exited and ASX listed portfolio company.

On 29 November 2023, a Scheme of Arrangement entered between VPEG3 investee Advent Partner 2 (AP2) portfolio company SILK Laser Clinics Limited (SLA.ASX) and Wesfarmers Limited (WES.ASX) was completed, facilitating the final sale of shares held by AP2 in that company.

During the quarter, VPEG3 received distributions totalling \$1,693,739 from;

- Advent Partners 2 Fund, as a result of the final sale of shares in previously exited, now ASX listed portfolio company SILK Laser Clinics Australia, following the successful completion of the Scheme of Agreement acquisition by ASX listed Wesfarmers Limited;
- Allegro Fund III, as a result of the dividends received during the period from portfolio companies Perth Radiological Clinics (PRC), Questas Group and Camp Australia; and
- Odyssey Private Equity Fund 8, as a result of the dividend received during the period from underlying portfolio company Delta Agribusiness.

Drawdowns during the quarter from VPEG3, totalling \$768,860, were paid to Allegro Fund III, Odyssey Private Equity Fund 8 and Next Capital Fund III (Next III). The majority of the capital called was to fund the follow-on investment into Next III portfolio company, Jucy. The remainder of the capital called, was to fund VPEG3's share of management fees and working capital requirements incurred by underlying funds during the period.

As at 31 December 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.

PORTFOLIO STRUCTURE

VPEG3's PORTFOLIO STRUCTURE

The tables and charts below provide information on the breakdown of VPEG3's investments as at 31 December 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	
1.1%	2.9%	Later Expansion	39.1%
		Buyout	56.9%

PRIVATE EQUITY PORTFOLIO

VPEG3, with commitments to seven Private Equity funds and two co-investments, ultimately had invested in 50 underlying company investments with 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 31 December 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	\$6.14m	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	\$8.54m	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	\$6.88m	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	\$0.75m	1	1
Total				\$67.55m	\$56.80m	50	10

Note; 1. Total no. of investee companies only includes completed investments as at 31 December 2023.

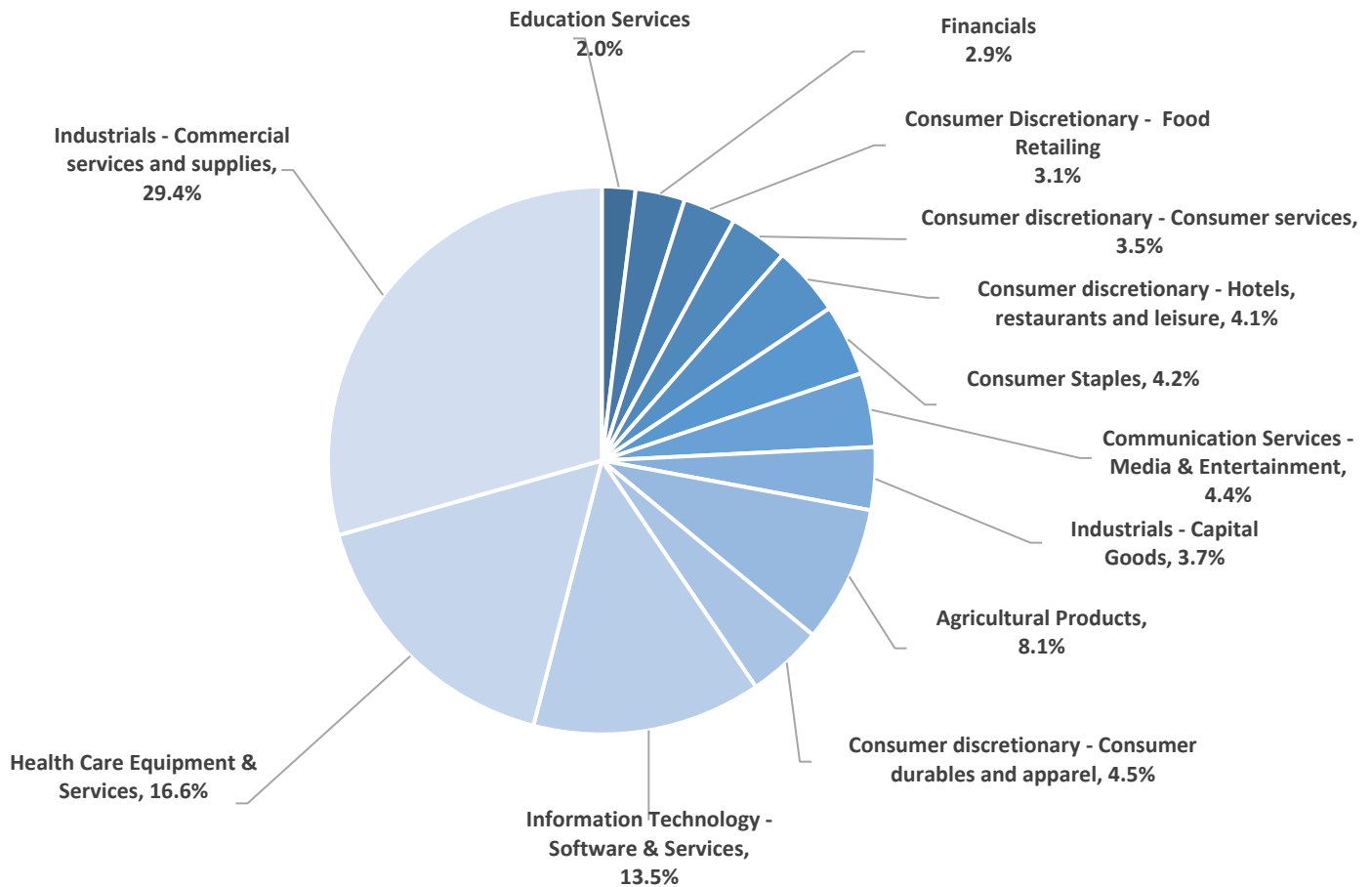
SUMMARY OF VPEG3's Top 10 UNDERLYING PRIVATE EQUITY INVESTMENTS

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 31 December 2023. The top 10 investments held within the portfolio comprise 47.1% of VPEG3's 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	7.4%	7.4%
2	GBST Wealth Management	Anchorage Capital Partners Fund III	Financial services technology provider to the global wealth market	5.4%	12.9%
3	Team Global Express	Allegro Fund III	An Australian transportation and logistics company with operations on road, rail, air, sea and warehousing	5.4%	18.3%
4	Compass Education	Advent Partners 2 Fund	Student Information System Software / Services Provider	4.8%	23.1%
5	Medtech	Advent Partners 2 Fund	Provider of Practice Management Software (PMS)	4.5%	27.6%
6	Perth Radiological Clinics	Allegro Fund III	Western Australia's largest medical diagnostic imaging provider	4.5%	32.1%
7	Hellers	Adamantem Capital fund I	Food and Beverage Manufacturer	4.2%	36.3%
8	Delta Agribusiness	Odyssey Private Equity Fund 8	Provider of Agriculture Products and Independent Rural Services	4.0%	40.3%
9	Silver Chef	Next Capital IV	Rental & Financing of Commercial Equipment	3.7%	44.0%
10	Hygain	Adamantem Capital Fund I	Australian Horse Feed & Supplement Manufacturer & Distributor	3.1%	47.1%

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 represented VPEG3's largest industry sector exposure, representing 29.4% of VPEG3's total private equity portfolio at December quarter end.



Figure; Industry exposure of VPEG3's underlying investments

MARKET & ECONOMIC UPDATE

The economic landscape in the concluding quarter of 2023 exhibited a substantial amelioration of inflationary pressures, defying earlier market projections. Both the quarter-on-quarter (q/q) and year-on-year (y/y) headline inflation rates stood at 0.6% and 4.1%, respectively, significantly below the market's prior expectations. The Reserve Bank of Australia's (RBA) favoured metric for underlying inflation, the trimmed mean, mirrored this trend, decelerating to 0.8% q/q, surpassing both RBA predictions and broader market expectations.

Services and Goods Prices:

Delving deeper into sectoral dynamics, domestic market services prices reflected a discernible deceleration, indicating not only weakened demand but also a slowdown in wage cost growth. Concurrently, tradables prices, excluding fuel, fruit, and vegetables, experienced a marked decline, with consumer durable goods prices notably affected.

Inflation Breadth Measures:

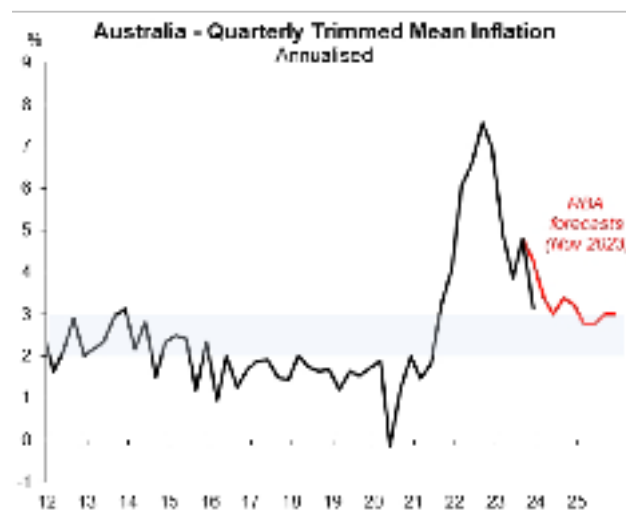
While certain inflation breadth measures exhibited signs of improvement, the distribution of price increases remained skewed. A substantial share of items recorded increases exceeding 3%, painting a nuanced picture of inflationary dynamics.

Sector-Specific Insights:

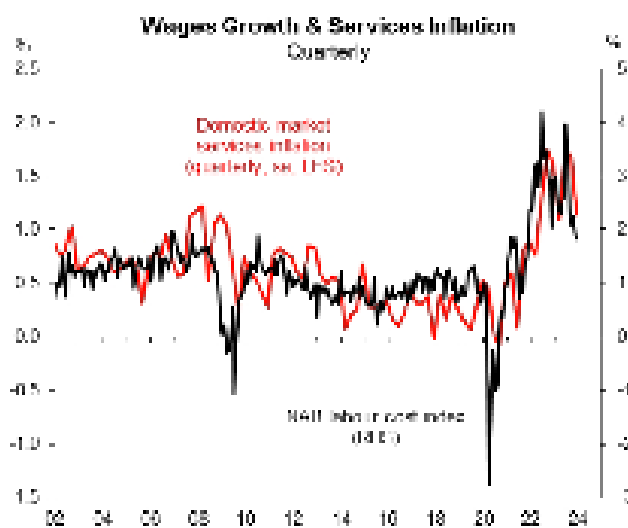
Within the domain of domestic market services prices, a substantial easing was observed, primarily propelled by a slowdown in the growth of meals out and takeaway food. Insurance and financial services, on the other hand, displayed a solid uptick, attributed to rising insurance fees, particularly in categories like motor vehicle, house, and home contents insurance. Consumer durables inflation witnessed its most significant decline in over a decade, marked by noteworthy price reductions in furniture, household appliances, and clothing & footwear.

New motor vehicle prices seemed to have reached a peak, while international holiday travel and accommodation prices experienced a decline. Simultaneously, domestic holiday travel and accommodation prices registered a third consecutive quarterly decrease.

Healthcare prices demonstrated an upward trajectory, driven by increases in health insurance premiums. This was partially offset by lower pharmaceutical prices, resulting from an increase in the share of consumers qualifying for subsidies under the Pharmaceutical Benefits Scheme. Electricity and gas prices displayed mixed



Source: ABS, RAB, RBA, Macrobond, Macquarie Macro Strategy



Source: ABS, RAB, RBA, Macrobond, Macquarie Macro Strategy

trends, with electricity prices witnessing a substantial year-on-year increase.

In the realm of housing inflation, focusing on rents and new dwelling purchase prices, there was a moderation primarily due to a decline in rents inflation. In contrast, new dwelling purchase price inflation continued its upward trajectory, driven by the ongoing pass-through of labour and material costs.

Australia and New Zealand Private Equity Activity

Against this economic backdrop, the private equity landscape witnessed noteworthy activity in the December 2023 quarter. Seven acquisitions and eight exits were announced or completed across diverse sectors, including business services, real estate, and software. Despite economic uncertainties affecting deal activity in 2023, as evidenced by bid-ask spreads and higher funding costs, there is a palpable shift as market confidence grows with stabilised inflation.

Anticipations for heightened deal activity in 2024 are rooted in equity markets pricing in a soft landing, open credit markets, and businesses becoming more assessable, fostering a favourable deal environment. Forecasts indicate a potential surge in secondary transactions as a backlog of private equity assets are expected to enter the market. Additionally, the latter half of 2024 may witness an increase in sponsor-backed Initial Public Offerings (IPOs) if the IPO market presents favourable conditions.

CONTACT DETAILS

Vantage Private Equity Growth 3, LP

Level 50, 120 Collins Street
Melbourne, Victoria 3000 Australia

Vantage Private Equity Growth Trust 3A

Level 39, Aurora Place
88 Phillip Street
Sydney, NSW 2000 Australia

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

ACN: 109 671 123

Australian Financial Services Licence: 279186

Level 39, Aurora Place
88 Phillip Street
Sydney, New South Wales 2000
Telephone: +61 2 9067 3133
Email: info@vantageasset.com
Website: www.vpeg3.info
Website: www.vantageasset.com

