

# VANTAGE PRIVATE EQUITY GROWTH 3



QUARTERLY INVESTOR REPORT  
30 JUNE 2024

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## VPEG3

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# EXECUTIVE SUMMARY

Welcome to the Vantage Private Equity Growth 3 (VPEG3) quarterly investor report for the quarter ending 30 June 2024.

The June 2024 quarter presented a number of key events in the continued divestiture of VPEG3's underlying private equity portfolio. A significant majority of VPEG3's underlying private equity managers have transitioned their focus from creating further portfolio company value to vigorously preparing and positioning each underlying asset for a liquidity event. With this general mindset being undertaken by managers, VPEG3 has witnessed yet another active period of divestments, providing further profitable investment returns for VPEG3 and the Fund's investors.

## PORTFOLIO HIGHLIGHTS

During the quarter, underlying fund managers sought to build on the operations of portfolio companies by conducting bolt-on acquisitions. Of note, one underlying company completed a significant bolt-on acquisition, providing value accretion to the operations of that company.

Turning to exits, three underlying managers have engaged sell-side advisors to seek potential buyers to exit their fund's majority holdings in three portfolio companies, that account for ~17% of VPEG3's total portfolio value at period end. As a result, Vantage anticipates a rise in the number of exits from VPEG3's portfolio over the coming three to six months. This increase in exit activity is as a result of managers having successfully executed on the growth strategies of portfolio companies including achieving their earnings objectives, allowing them to strategically position their portfolio companies for a successful exit event.

## VPEG3 FUND ACTIVITY

During the quarter, capital calls totalling \$230,797 were paid by VPEG3 to Allegro Fund III, Odyssey Private Equity Fund 8 and Advent Partners 2 Fund. The capital was predominately called as a result of management fees and working capital requirements of these funds across the period. No additional capital calls were issued by VPEG3 to investors, as VPEG3 has already called 100% of investors committed capital.

During the period, VPEG3 received distributions totalling \$357,648, from Advent Partners 2 Fund, Allegro Fund III and Mercury Fund III. The distributions received during the period were predominately from the return of capital payments received from Allegro Fund III portfolio companies Perth Radiological Clinics and Camp Australia. The remainder of the distributions received were as a result of the dividend payment from Advent Partners 2 Fund portfolio company Flintfox, and proceeds from a divestment undertaken by Mercury Fund III portfolio company TEG during the period.

As a result of these distributions being received, as well as from the final realised proceeds received from previously exited and now ASX-listed company SILK Laser Clinics, VPEG3, LP conducted a distribution totalling **\$0.03 per dollar of committed capital** to all VPEG3 investors on the 16th May 2024. In addition, a tax distribution of **\$0.012 per dollar of committed capital**, attributable to FY24 was declared at 30 June 2024, to be paid by VPEG3A, to all investors except SIV investors, during September 2024. As a result of these distributions being paid and declared, VPEG3's consolidated **Distribution to Paid-In (DPI)** multiple ratio increased to **0.412x** at period end.

Due to the continued positive momentum in operating performance across the portfolio throughout the period, VPEG3's **Net Asset Value (NAV)** as at 30 June 2024 increased 11.0% across the quarter to \$1.384 per dollar of committed capital (post financial year-end tax distribution). As a result, VPEG3's **Total Value to Paid In (TVPI) multiple** at period end was **1.796x** representing a **net annualised return of 15.1% p.a.** for investors, since VPEG3's Final Close in January 2019.



# EXECUTIVE SUMMARY

## VPEG6 CONDUCTS FIRST CLOSE & COMMENCES INVESTMENT PROGRAM

On 17<sup>th</sup> July 2024, Vantage Private Equity Growth 6 (VPEG6) conducted its First Close, raising a total of \$30 million in capital commitments from investors. As a result of achieving this milestone, the Investment Program for VPEG6 has commenced, resulting in AUD\$28 million of capital commitments being made across two primary fund commitments. These investments included; a \$10 million commitment to Allegro Fund IV Side Car 2 and an AUD\$18 million (NZD\$20 million) commitment to Waterman Fund 5 LP. These early commitments place VPEG6 into a good position to commence building and growing its investment portfolio across the next 6 to 12 months.

VPEG6 will remain open for investment until either its target size of \$250 million is reached, or the second anniversary of the First Closing Date. If you wish to learn more about VPEG6 or would like to make an application, please contact your wealth adviser or Vantage's Investor Services Team via email at [info@vantageasset.com](mailto:info@vantageasset.com) or call 02 9067 3133.

An application can also be made by completing VPEG6's Online Application form by copying the following link into your web browser;  
<https://apply.automic.com.au/VPEG6>

## VANTAGE TEAM ADDITIONS

Vantage's team continues to grow as a result of increasing investor demand and commitments to Vantage managed funds. During the quarter, Jonathan Kelly was appointed as a Non-Executive Director and Investment Committee Member of Vantage's Flagship private equity and secondary programs, bringing over 20 years of Australian mid-market private equity experience. His deep industry knowledge and strategic insights will undoubtedly assist to enhance Vantage's investment decisions as well as to contribute to the consistency of returns to Vantage fund investors. Additionally, the team welcomed David Abraham as an Investment Analyst from CDPQ's Infrastructure investment team and Alicia Cook as Investor Relations Manager from Ophir Asset Management, both bringing essential skills to strengthen Vantage's operations and investment processes.

# PERFORMANCE



# PERFORMANCE

IN AUD MILLIONS (NET)

QUARTER ENDING	30 JUNE 2024
FINAL CLOSE	JANUARY 2019
STRATEGY	PRIVATE EQUITY FUND OF FUNDS
COMMITTED CAPITAL	\$50.70
PAID CAPITAL <sup>1</sup>	\$50.70
VPEG3, LP PER \$ OF COMMITTED CAPITAL PAID	\$0.75
VPEG3A PER \$ OF COMMITTED CAPITAL PAID	\$0.25
NET ASSET VALUE (NAV) - PER \$ OF COMMITTED CAPITAL <sup>2</sup>	\$1.384
DISTRIBUTIONS TO PAID IN (DPI) MULTIPLE <sup>3</sup>	0.412x
TOTAL VALUE TO PAID IN (TVPI) MULTIPLE <sup>3</sup>	1.796x
<b>NET ANNUALISED RETURN</b>	<b>15.1%</b>
<b>PORTFOLIO</b>	
TOTAL COMMITTED CAPITAL TO PRIVATE EQUITY	\$67.55
NO. OF PRIMARY COMMITMENTS	7
NO. OF CO-INVESTMENTS	2
NO. OF PORTFOLIO COMPANIES	50
NO. OF EXITS	10
NO. OF REMAINING PORTFOLIO COMPANIES	40

1. Paid capital by all investors VPEG3, LP & VPEG3A, except SIV investors.

2. Post financial year-end tax distribution.

3. Includes \$0.012 per dollar of committed capital year end tax distribution declared at 30 June 2024, to be paid to all investors except SIV investors during September 2024.

# PRIVATE EQUITY PORTFOLIO





# PRIVATE EQUITY PORTFOLIO

## VPEG3 PRIVATE EQUITY PORTFOLIO

PRIVATE EQUITY FUND NAME	FUND / DEAL SIZE (\$M)	VINTAGE	INVESTMENT STRATEGY	COMMITMENT (\$M)	CAPITAL DRAWN (\$M)	PORTFOLIO COMPANIES	EXITS
ADAMANTEM CAPITAL FUND I	\$591	2017	EXPANSION / BUYOUT	\$10.0	\$8.46	6	1
ODYSSEY PRIVATE EQUITY FUND 8	\$275	2017	EXPANSION / BUYOUT	\$7.0	\$6.28	6	1
ADVENT PARTNERS 2 FUND	\$300	2017	EXPANSION / BUYOUT	\$10.0	\$9.11	7	1
ALLEGRO FUND III	\$290	2017	BUYOUT	\$12.0	\$8.63	7	3
ANCHORAGE CAPITAL PARTNERS FUND III	\$350	2017	EXPANSION / BUYOUT	\$10.0	\$9.87	5	2
MERCURY FUND 3	\$600	2019	EXPANSION / BUYOUT	\$7.5	\$6.83	10	1
NEXT CAPITAL FUND IV	\$275	2019	EXPANSION / BUYOUT	\$10.0	\$6.88	7	-
CO-INVEST NO.1 FITZPATRICK FINANCIAL GROUP	\$200	2017	EXPANSION	\$0.25	\$0.30	1	-
CO-INVEST NO.2 TRIBE BREWING	\$30	2018	EXPANSION	\$0.80	\$0.75	1	1
<b>TOTAL</b>				<b>\$67.55</b>	<b>\$57.11</b>	<b>50</b>	<b>10</b>





# PRIVATE EQUITY PORTFOLIO

## TOP 10 HOLDINGS ACROSS THE PORTFOLIO

	PORTFOLIO COMPANY	FUND	DESCRIPTION	% SHARE	CUMULATIVE
1	GBST WEALTH MANAGEMENT	ANCHORAGE CAPITAL PARTNERS FUND III	FINANCIAL SERVICES TECHNOLOGY PROVIDER TO THE GLOBAL WEALTH MARKET	10.2%	10.2%
2	QUESTAS GROUP	ALLEGRO FUND III	NETWORK OF NICHE INDUSTRIAL BUSINESSES ACROSS AUSTRALIA	6.8%	17.0%
3	COMPASS EDUCATION	ADVENT PARTNERS 2 FUND	STUDENT INFORMATION SYSTEM SOFTWARE / SERVICES PROVIDER	6.1%	23.2%
4	MEDTECH	ADVENT PARTNERS 2 FUND	PROVIDER OF PRACTICE MANAGEMENT SOFTWARE	4.9%	28.1%
5	PERTH RADIOLOGICAL CLINICS	ALLEGRO FUND III	WESTERN AUSTRALIA'S LARGEST MEDICAL DIAGNOSTIC IMAGING PROVIDER	4.4%	32.6%
6	TEAM GLOBAL EXPRESS	ALLEGRO FUND III	TRANSPORTATION AND LOGISTICS COMPANY	4.4%	37.0%
7	HELLERS	ADAMANTEM CAPITAL FUND 1	PRODUCER OF PROCESSED MEATS IN NEW ZEALAND	3.9%	40.9%
8	DELTA AGRIBUSINESS	ODYSSEY PRIVATE EQUITY FUND 8	PROVIDER OF AGRICULTURAL PRODUCTS AND INDEPENDENT RURAL SERVICES	3.7%	44.6%
9	SILVER CHEF	NEXT CAPITAL FUND IV	RENTAL & FINANCING OF COMMERCIAL EQUIPMENT	3.3%	48.0%
10	IMAGING ASSOCIATES	ADVENT PARTNERS 2 FUND	DIAGNOSTIC IMAGING SERVICE PROVIDER	3.2%	51.2%



# PRIVATE EQUITY PORTFOLIO

## INDUSTRY DIVERSIFICATION OF PORTFOLIO

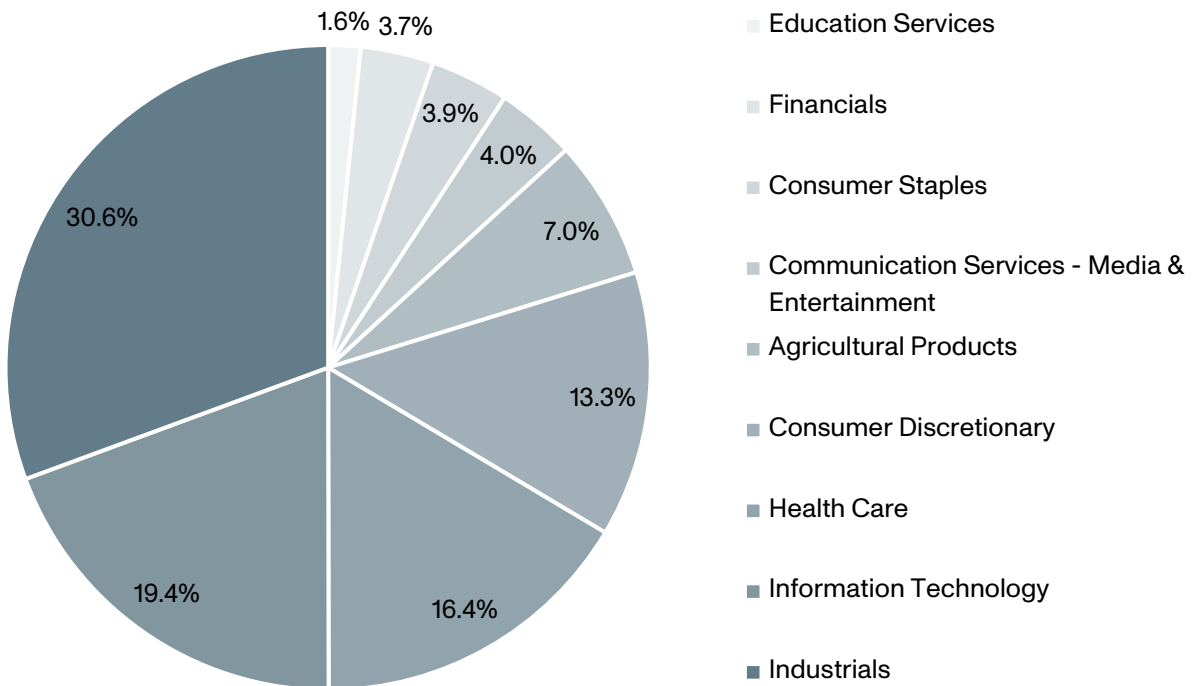


Image: Industry diversification of VPEG3 portfolio at period end 30 June 2024. Key is in ascending order.

# PORTFOLIO ACTIVITY





# PORTFOLIO ACTIVITY

With the operating environment becoming more stable and a look through to future favourable economic conditions emerging, VPEG3's underlying managers continued to execute on their investment strategies, targeting a number of bolt-on acquisitions in order to further expand operations of underlying portfolio companies.

During the quarter, **Allegro Fund III** portfolio company **Questas** completed a bolt-on investment of Ezy-Fit Hydraulics, an Adelaide-based hydraulics manufacturer. The acquisition further increases Questas' growing customer base spread across the heavy industrial, manufacturing and resources industries. Questas has identified additional M&A opportunities, which it will pursue over the remainder of 2024.

VPEG3 expects that the number of underlying portfolio exits will increase over the next three to six months as private equity managers engage sell side advisors. Three portfolio companies that have engaged with bankers to seek out an exit event include:

- **Anchorage Capital Partners Fund III** portfolio company **GBST Wealth Management**, a market-leader in registry and end-to-end solutions for fund and pension administration, has engaged Jefferies.
- **Adamantem Capital Fund I** portfolio company **Hellers**, the New Zealand-based leading producer of processed meats and manufacturer of poultry products, has hired Luminis Partners.
- **Next Capital Fund IV** portfolio company **Eptec Group** has engaged MA Moelis to find bidders for the specialist engineering group that maintains "critical infrastructure".

As at 30 June 2024, VPEG3 had completed investments in 50 underlying portfolio companies, with 10 companies sold from the portfolio at quarter end.

## OVERVIEW OF ANNOUNCED EXIT POST-QUARTER END

### Compass Education – Advent Partners 2 Fund



Following the end of the quarter, on 20 August 2024, Advent announced the sale of Advent Partners 2 Fund (AP2) portfolio company Compass Education to funds managed by Swedish Private Equity firm, EQT for a media reported sale price of ~\$700m. The sale of Compass, once completed, will deliver AP2 investors, including VPEG3, with a strong top-quartile return.

The Compass global sale process was intensely competitive, with multiple bidders engaged. Under the terms of the transaction, Advent will receive its entire sale consideration in cash, providing a clean exit from this investment, while the Compass founders will roll a portion of their proceeds into the new Compass entity. Completion of the sale is subject to approval from the Foreign Investment Review Board and other change of control consents.

AP2 invested in Compass in August 2018 with an investment thesis to establish a global leader in student information system software for K-12 schools. The Advent deal team & Compass management successfully executed this thesis to transform Compass into the world's leading SaaS School Management System with a global presence, deep functionality and exceptional SaaS metrics. To support Compass' rapid growth during Advent's tenure, the senior management team was expanded to include a CFO, CRO, CTO and CPO.

Value creation at Compass was achieved through strong revenue growth, expansion into new domestic and international markets, continued expansion of the product suite, a growing presence in the independent school market segment, and the successful execution of three strategic bolt-on acquisitions.

Following completion of the sale, the net sale proceeds are expected to be distributed to AP2 investors, including VPEG3, during October/November 2024. Subsequent to receiving its share of the sale proceeds, VPEG3 will distribute the entire amount to VPEG3 investors.

# MARKET INSIGHTS





# MARKET INSIGHTS

The Australian M&A environment over the last quarter saw fund managers exercise caution in deploying new capital unless new investments demonstrated a clear focus on strategic alignment and a long-term value creation strategy. Australian M&A deal volume dropped 9% in 1H24 from 1H23, but deal value rose 1% in that same period to reach AUD\$52.85bn. One of the key factors restraining M&A activity is the current macroeconomic climate, characterised by an array of unpredictable factors including interest rates, persistent inflation, and a general lack of business confidence.

There has been a notable shift towards strategic investments as fund managers adopt more risk-averse strategies. Today, fund managers are prioritising investments that promise clear strategic benefits, aligning closely with long-term objectives rather than short-term gains. This shift in the market highlights a preference for quality over quantity, with each investment needing to justify its associated risks and costs.

In response to continuing economic pressure on consumer demand, persistent inflation, and tight labour conditions, fund managers are focused on assisting portfolio companies with margin enhancement through productivity initiatives, targeted cost-reduction programmes, and growth initiatives aimed at driving market share growth.

Despite the challenging M&A environment, the lower to mid-market segment continues to offer significant value. These businesses are more attractive than their larger counterparts due to attractive entry valuations, various avenues for exit and modest amounts of leverage employed.

## PRIVATE EQUITY ACTIVITY

During the June 2024 quarter, twelve acquisitions were announced or completed across various sectors, such as healthcare, education, software, and business support services. Eight exits were also announced or completed during this period. Vantage's Flagship program portfolio witnessed five acquisitions in the quarter across the education, energy, information technology, and professional services sectors.

Record levels of dry powder and a backlog of portfolio companies ready for sale suggest that deal activity will inevitably improve over the next twelve months. Key takeaways from Vantage's discussion with General Partners (GPs) include a favourable environment for negotiating buyer-friendly terms and a growing emphasis on operational improvements to drive value creation.

The lower to mid-market segment of private equity has continued to demonstrate its resilience. Over the last quarter, four investments were exited across Vantage's portfolio through either secondary sales or trade sales. This is in stark contrast to the large-cap segment of private equity, which relies heavily on the IPO market to exit investments.

Another attractive feature of mid-market private equity is that investments do not rely on leverage to generate returns and employ minimal to modest leverage in their investments. Instead, a greater emphasis is placed on value creation strategies, which has resulted in resilient valuations in the face of rising interest rates.

# DIRECTORY

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## IMPORTANT INFORMATION

This report has been prepared by Vantage Asset Management Pty Limited (ABN 50 109 671 123) AFSL 279186 (Vantage) in its capacity as Investment Manager of the Vantage Private Equity Growth 3. 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. It should not be relied upon as personal advice nor is it an offer of any financial product.



# VANTAGE ASSET MANAGEMENT

