

AUSTRALIAN PRIVATE EQUITY WELL POSITIONED TO CONTINUE TO DELIVER STRONG, RISK ADJUSTED RETURNS, DESPITE THE ECONOMIC SLOWDOWN CAUSED BY COVID-19

VPEG4 COMMITS \$10 MILLION TO EACH OF ADAMANTEM CAPITAL FUND II AND CPE CAPITAL 9 AND REMAINS OPEN FOR INVESTMENT

VPEG4 INVESTEE RIVERSIDE AUSTRALIA FUND III ACQUIRES INDEPENDENT LIVING SPECIALISTS AN AUSTRALIAN SUPPLIER OF HOSPITAL AND HOME-CARE EQUIPMENT

VPEG3 INVESTEE ADVENT PARTNERS 2 INVESTS IN MEDTECH, A LEADING PROVIDER OF PRACTICE MANAGEMENT SOFTWARE & FLINTFOX, A LEADING DEVELOPER OF TRADE REVENUE MANAGEMENT SOFTWARE

AUSTRALIAN PRIVATE EQUITY WELL POSITIONED TO OUTPERFORM

With Australia entering its first recession in 29 years as a result of the slowing economy caused by the COVID-19 restrictions, it is timely to compare the historical performance of the Australian & New Zealand Private Equity market across, all time frames, to the performance of those Private Equity funds that were established during, or otherwise invested across, previous recessionary periods.

Summary statistics provided by AVCAL & Cambridge Associates reveal that the median and upper quartile net returns from Private Equity funds formed in Australia and New Zealand, between 1997 and 2018, focused on the later expansion and buyout financing stage, in which Vantage funds invest, was 11.1% p.a. and 20.3% p.a. respectively. These robust returns demonstrate Private Equity's ability to consistently outperform public markets as the return on the S&P ASX 200 Accumulation Index over the corresponding period was only 8.4% p.a.

However, during periods of economic contraction, the performance of Private Equity was even more pronounced. Utilising data provided by Preqin (2020), Vantage conducted an analysis of the investment returns delivered by Private Equity Funds during the recessionary periods following the "dot-com crash" in 2000 and the Global Financial Crisis (GFC) of 2008 to 2010. Australian and New Zealand Private Equity funds established and investing during and up to 2 years following these events generated **median and upper quartile net returns of 19.6% p.a. and 45.0% p.a.** respectively, significantly outperforming the public market comparables during these periods.

The reason for this outperformance is due to a number of factors which include an increase in opportunities, less competition from listed and trade purchasers and an ultimate decrease in purchase multiples. With both Vantage Private Equity Growth 3 (VPEG3) and Vantage Private Equity Growth 4 (VPEG4) continuing to invest over this current recessionary period, the opportunity to deliver superior medium to long term, risk adjusted returns, to Vantage Fund investors will be enhanced.

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VPEG4 COMPLETES A FURTHER \$25 MILLION OF INVESTMENT COMMITMENTS

During the June 2020 quarter, VPEG4 completed two new investment commitments and increased the investment commitment to an existing underlying fund.

During April 2020, VPEG4 completed a \$10 million investment commitment into the first close of CPE Capital 9 (CPEC 9). CPEC 9, formerly CHAMP Private Equity, is managed by CPEC Management Pty Ltd of Sydney, Australia. CPEC 9 is a (target) \$800 million buyout fund, focusing on investments into profitable private companies operating within the middle market segment in Australia and New Zealand with enterprise values of \$100 million to \$500 million.



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In June 2020, VPEG4 completed a \$10 million investment commitment to Adamantem Capital Fund II. Adamantem was established in 2016 by Anthony Kerwick and Rob Koczkar to make control investments in companies in the Australia and New Zealand mid-market with an enterprise value of between \$100 million and \$300 million.



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Additionally, during June 2020, VPEG4 increased its investment commitment to Riverside Australia Fund III (RAF III) by \$5 million bringing VPEG4's total investment commitment to RAF III to \$10 million.



To date VPEG4 has committed \$30 million across three Primary Private Equity funds, with two underlying company investments completed within the portfolio.

[VIEW VPEG4's PRIVATE EQUITY PORTFOLIO >>](#)

VANTAGE FUNDS ADD NEW INVESTMENTS

Since the commencement of the recent economic downturn, Vantage Fund's underlying Private Equity managers have also completed three new company investments at attractive valuations in the healthcare and information technology industry sectors.

On 31 March 2020, VPEG4 investee Riverside Australia Fund III completed an investment into Independent Living Specialists, a leading Australian supplier and registered NDIS provider of hospital and home-care equipment. Independent Living Specialists sells and rents Assistive Technology products, operating via two main divisions: Retail and Clinical Services that are similar in size. The Retail division includes a bricks and mortar network of 22 showrooms as well as virtual (online and phone) channels both aimed primarily at individuals.



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During June 2020, VPEG3 investee Advent Partners 2 invested in Medtech, a leading provider of Practice Management Software across Australia and New Zealand, delivering an extensive product suite allowing physicians and their staff to manage all administration and clinical aspects of their practices. Medtech is a leading SaaS business that provides mission-critical software to ~18,000 GP, Allied Health and Specialist users across Australia and New Zealand.



Also, during June 2020, Advent Partners 2 completed the acquisition in Flintfox, a leading developer of trade revenue management software. Flintfox's software is used by global trade and enterprise organisations to manage, track, and reconcile trade promotion and rebate expenditure, and execute multi-channel pricing strategies.

The logo for Flintfox, with the word 'flintfox' in a lowercase sans-serif font on an orange rectangular background.

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Arguably the current economic contraction has signified the beginning of a new cycle in financial markets and the end of a prolonged period of asset inflation and increasing acquisition multiples. As a result, there will be an increase in attractive investment opportunities for Vantage's underlying Private Equity managers to invest capital at lower than historical valuation multiples, throughout the second half of the calendar year 2020 and into 2021. This re-rating of asset prices and Private Equity's ability to consistently outperform during and following recessionary periods, will ultimately deliver Vantage Fund investors with superior risk adjusted returns, over the term of each Vantage Fund.

To learn more about Vantage's currently open fund, VPEG4, please contact your wealth manager or financial adviser.

Alternatively if you would like to receive a call or request a meeting with a Vantage executive to discuss VPEG4 please call +61 2 8211 0477 or email info@vantageasset.com or visit www.vpeg4.info for more information.

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