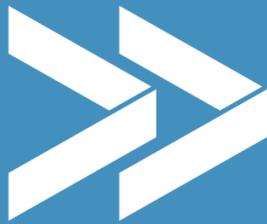


VPEG4

DIVERSIFY
GROW
OUTPERFORM



Vantage Private Equity Growth 4, LP
Quarterly Report
31 December 2019

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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 4, 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. It 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 4 ('VPEG4') is a multi-manager Private Equity investment fund structured as an Australian Fund of Funds Limited Partnership.

VPEG4 is also 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.

VPEG4 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 from its Private Equity investments while keeping the volatility of the overall investment portfolio low. This will be achieved by investing across a highly diversified portfolio of Private Equity assets, particularly profitable companies with proven products and services, with diversification obtained by allocating across fund manager, financing stage, industry sector, geographic region and Vintage Year.

VPEG4 will invest 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 value of between \$25m and \$250m at investment.

VPEG4 will develop a diversified portfolio of underlying investments by investing into between 6 to 8 underlying Private Equity funds, focused on investments into profitable companies in growth industry sectors including the Healthcare, Consumer Discretionary, Education and Tourism sectors.

During the December 2019 quarter, following extensive due diligence by the Vantage team, a recommendation was made to the VPEG4 Investment Committee for an initial \$5m investment commitment to Riverside Australia Fund III. The Investment Committee unanimously approved this recommendation with the new VPEG4 investment commitment completed during January 2020.

SPECIAL POINTS OF INTEREST

VPEG4 completes first close of \$20 million on 30 September 2019

VPEG4 commits an initial \$5 million to Riverside Australia Fund III, managed by Riverside Partners of Melbourne, Australia

VPEG4 adds Alpha-H, a global leader in corrective and preventative skincare products, to its Private Equity portfolio

PERFORMANCE

On 30 September 2019, VPEG4 successfully completed its first close with over 30 investors committing approximately \$20 million of capital to the Fund. VPEG4 will remain open to investors across 2020 conducting monthly closes until its target fund size of \$100m is reached.

During the period 1 October 2019 to 31 December 2019, the Vantage team spent considerable time conducting due diligence across a number of Private Equity firms raising funds to invest within the Australian and New Zealand lower to mid-market segment.

As a result, a recommendation was made to the VPEG4 Investment Committee and approval was received, for VPEG4's first Private Equity fund investment commitment of \$5m to Riverside Australia Fund III managed by Riverside Partners of Melbourne, Australia.

As at 31 December 2019, VPEG4 had called 5% of investor's Committed Capital (Call No. 1) into the Fund's operating account, to cover initial establishment costs and management fees and to provide the capital required to meet the initial call notices, from underlying funds, to invest in new underlying company investments as they are completed.

KEY PORTFOLIO DEVELOPMENTS

During the December 2019 quarter, VPEG4's Investment Committee unanimously approved VPEG4's first investment commitment of an initial \$5 million to Riverside Australia Fund III (RAF III).

RAF III is a (target) \$350 million buyout fund focused on control investments into profitable, private companies, operating in the lower to mid-market segment in Australia and New Zealand.

RAF III have completed one investment to date into Alpha-H, a global leader in corrective and preventative skincare products. This investment was initially bridge funded by RAF III. As a result capital will be called for this underlying company investment from VPEG4 following the final close of RAF III during the first half of 2020.

KEY PORTFOLIO DEVELOPMENTS cont.

The number of investments in VPEG4's portfolio is set to grow over the 2020 calendar year as additional investment commitments are scheduled to be made, to funds managed by the top tier performing Private Equity fund managers within Australia.

OVERVIEW OF NEW INVESTMENT COMMITMENT

RIVERSIDE AUSTRALIA FUND III

In January 2020, Vantage Private Equity Growth 4 completed an initial \$5 million investment commitment to Riverside Australia Fund III.



Riverside Australia Fund III (RAF III) is managed by Riverside Partners (www.riversidecompany.com) of Melbourne. RAF III is a (target) \$350 million buyout fund focused on control investments into profitable, private companies, operating in the lower to mid-market segment in Australia and New Zealand.

The Riverside Company is a global Private Equity firm that was founded in 1988 in New York, led by founder Béla Szigethy and CO-CEO Stewart Kohl who joined the firm in 1993. With over \$7.6 billion in assets under management the firm specifically focusses on acquiring, building and exiting businesses in the lower end of the middle market, with investments made across North America, Europe and the Asia-Pacific region through dedicated funds with teams operating through local and regional offices.

Riverside Australia was formed in 2007 by Founding Partner Stuart Baxter, who joined the Riverside Company in 1997. Riverside Australia was established with a focus on finding and investing in privately held companies with consistent history of profitability, where RAF can acquire a control position, with the intention of developing a compelling growth strategy through organic and add-on strategies.

RAF III is led by Riverside Australia Fund Manager, Simon Feiglin, who joined Riverside in 2007, following 18 years of private equity investment experience in the United States. Riverside Australia is comprised of a deep and locally oriented team, including Founding Partner Stuart Baxter and Transacting Partners Nicholas Speer and Steven Spiteri, who together share an average of over 20 years of investment experience in investing within the Australian lower to mid-market.

OVERVIEW OF NEW UNDERLYING COMPANY INVESTMENT

ALPHA-H - RIVERSIDE AUSTRALIA FUND III

In April 2019, Riverside completed the first investment for RAF III into cosmeceutical company, Alpha-H, a global leader in corrective and preventative skincare.

ALPHA-H

Australian owned and operated, Alpha-H is a global phenomenon, stocked in over 40 countries including prestige clinics, exclusive day spas, TV shopping networks, cosmetic giant Sephora, department stores Marks & Spencer, Myer and Harvey Nichols and a selection of premium airlines including British Airways and Virgin Atlantic.

Alpha-H are leaders in exfoliation, resurfacing and skin renewal; formulating their own clinical peels and supplying the professional beauty industry. Over 1000 clinics worldwide offer Alpha-H's treatments, in which they continue to innovate and set trends within the cosmeceutical industry.

PORTFOLIO STRUCTURE

VPEG4's PORTFOLIO STRUCTURE - 31 DECEMBER 2019

The tables and charts below provide information on the breakdown of VPEG4's investments as at 31 December 2019.

CURRENT INVESTMENT ALLOCATION

The following tables provide the percentage split of VPEG4's 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 VPEG4's Private Equity portfolio. As at 31 December 2019, VPEG4's investment portfolio consisted entirely of cash and fixed interest investments.

Cash	Short Term Deposits	Private Equity	
34.7%	65.3%	Later Expansion	0.0%
		Buyout	0.0%

PRIVATE EQUITY PORTFOLIO

The table below provides a summary of VPEG4's approved Private Equity portfolio and commitments, as at 31 December 2019.

Private Equity Fund Name	Fund / Deal Size	Vintage Year	Investment Focus	VPEG4 Commitment	Capital Drawn Down	Total No. of Investee Companies	No. of Exits
Riverside Australia Fund III	*\$350m	2019	Lower to Mid Market Expansion / Buyout	\$5.0m	\$0.0m	1	0
* Target Fund size			Total	\$5.0m	\$0.0m	1	0

VANTAGE FUNDS CONTINUE TO PRODUCE STRONG RISK ADJUSTED RETURNS FOR INVESTORS

Strong underlying company performance across the second half of 2019 contributed to Vantage's Funds delivering strong risk adjusted returns to Investors.

As at 31 December 2019, Vantage managed funds had made investments across 23 Australian Private Equity Funds, who in turn had invested in 122 companies across a broad range of industry sectors and had exited (sold) 54 of these investments generating a gross 2.54 X multiple of invested capital across an average holding period of 3.7 years. These results demonstrate Vantage's proven Private Equity investment strategy, that focuses entirely on expansion and buyout investing into profitable private companies operating in the lower to mid-market segment in Australia and New Zealand. Private Equity Managers operating within this segment of the market are able to acquire companies at fair value and utilise their experience and expertise to implement strategic growth initiatives, to create significant value for each portfolio company they invest in.

VPEG4's lower to mid market focus will ultimately develop a portfolio of investments with an enhanced ability to generate stronger, more consistent returns to investors while maintaining a lower level of risk across the portfolio which is especially important during these times of high volatility across public equity markets globally.

MARKET AND ECONOMIC CONDITIONS

From a global economic perspective, 2019 was a challenging year. It was dominated by trade tensions between the US and China and to a lesser extent between the US and Europe and its other trading partners. As a result, industrial production and global trade slowed markedly. Global growth was disappointing overall, which then manifested itself in additional geopolitical tensions.

The forecast for 2020 was initially slightly more optimistic, with the World Economic Outlook calling for growth of 3.3% followed by a further rise to 3.4% in 2021. Market sentiment certainly appeared to be more upbeat at the start of the year, reflecting the fact that trade tensions were easing, while manufacturing activity also seemed to be picking up.

However, the recent outbreak of the Coronavirus in China, which has to date resulted in over 900 deaths and over 40,000 people being infected is also a serious emerging concern and could turn into a “black swan” event. The World Health Organization has declared this a global health emergency, this being only the fifth time that this has occurred since its power to do so was established 15 years ago.

The fact that the Chinese government has locked down Wuhan and several other cities, with a population almost that of Canada in that region, suggests they are taking the outbreak very seriously. Equally, steps taken by a number of other governments to isolate carriers from China confirms this position. The number of people killed by the virus now exceeds that caused by SARS in 2002. The SARS outbreak had a serious impact on China’s GDP growth at the time, although the economy and markets bounced back sharply once the infection rate peaked.

Australia and New Zealand have not been isolated from the slowing elsewhere. Australia’s growth for calendar 2019 was estimated to come in below 2.0%. The full year result was, however, dependent on a strong fourth quarter. During the first three quarters the economy grew at an annualised rate of only 1.7%. This compares with 2.4% in 2018 and 2.8% in 2017. Factors contributing to the weakness last year included weak domestic spending, and lower investment in mining and real property. This occurred notwithstanding record low interest rates. Despite the government’s best efforts to help stimulate growth via tax cuts, modest wage growth and higher savings rates, consumers still reduced their spending. The effects of the drought and then subsequent bushfires may well exacerbate this problem.

Despite calls from several economists and the RBA, for greater support from the Federal Government via additional tax cuts and more spending on infrastructure, the latter did not oblige. Instead it remained focussed on delivering a surplus in the current financial year, albeit in a reduced amount given the impact of the bushfires. As might be expected the AUD weakened during the year falling approximately 4% against the USD.

The final and potentially most difficult challenge relates to the recent coronavirus outbreak, which emerged in January. While the fast-moving outbreak is centred in Wuhan in central China, an increasing number of cases have already been reported in other countries including a small number in Australia.

Australia has to date benefited greatly from its close trading relationship with China and other northern Asian countries. If the coronavirus has an impact on the Chinese economy, or for that matter any other of the trading partners, then it is inevitable that the flow on effects will impact Australia. Impacts to date have so far been minimal with the share prices of publicly traded entities dealing with Chinese tourism coming under pressure. As the increased controls on the movement of people start to take effect other areas of the economy will inevitably be impacted.

Despite all this, the current conditions for the Private Equity landscape within the lower to middle market segment in Australia and New Zealand remains resilient. Deal origination is robust, with a number of private equity transactions completed over the December 2019 quarter and into early 2020 especially in Australia. Although business confidence in both countries appears to be slowing, the Private Equity industry could well benefit from this, with trade acquirers becoming less aggressive in terms of pursuing acquisitions and the IPO market slowing dramatically over the last 12 months.

The quality of opportunities for VPEG4's current and proposed underlying fund managers remains encouraging both in terms of standalone transactions and the continual deal flow for underlying investee companies to undertake bolt on acquisitions. The quality of deals seen by VPEG4's underlying fund managers in the last six months has also been encouraging, indicated by a number of factors which are helping to create a positive investment environment during 2020.

The competitive situation also remains encouraging, with a limited number of trade purchasers competing against private equity managers in the lower middle market space. This leads to a limited number of auction processes and a surprising number of either proprietary or semi proprietary deals for VPEG4's underlying private equity funds operating in this segment of the market. This translates into an ability for VPEG4's managers to purchase businesses at what they report to be attractive purchase multiples (i.e. between 4.5x and 7x forward EBITDA). This environment appears to be more accommodating than in other Private Equity markets globally, which are experiencing higher levels of competition and a certain amount of price inflation.

As a result, it is anticipated that the number of new investments added to VPEG4's portfolio will accelerate across 2020 as VPEG4 makes new fund commitments to additional private equity funds and those underlying fund managers actively expand their portfolios with both new companies acquired and bolt on investments completed, by existing portfolio companies.

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