

# Vantage Private Equity Growth 3

Quarterly Investor Report — Quarter Ended 30 September 2017

< Diversify  
< Grow  
< Outperform

## Special points of interest:

- VPEG3 commits \$12m to Allegro Fund III, a \$280m mid market transformational capital specialist, managed by Sydney, Australia based, Allegro.
- VPEG3 completes an additional \$2m commitment to the Advent Partners 2 Fund bringing VPEG3's total commitment to this fund to \$10m.
- VPEG3 completes a \$250k co-investment with Yorkway Partners into Fitzpatrick Financial Group.
- Two additional underlying company investments announced to be completed post quarter end.

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## SUMMARY

### Background

Vantage Private Equity Growth 3 ('VPEG3') is a multi-manager Private Equity investment fund structured as an Australian Fund of Funds Limited Partnership.

VPEG3 is also 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.

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 will invest the majority of its Investment Portfolio into Australian based Private Equity funds who in turn are focused on investing into small to mid-market sized companies headquartered in Australia and New Zealand, with enterprise value of between \$25m and \$250m at investment.

VPEG3 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.

As at 30 September 2017, VPEG3 had committed \$34m across four Primary Private equity funds and had completed one co-investment. As a result a total of two underlying company investments exist within the portfolio at quarter end. VPEG3's investment commitments include; \$5m to Adamantem Capital Fund 1; \$7m to Odyssey Private Equity Fund 8; \$10m to Advent Partners 2 Fund and \$12m to Allegro III. VPEG3 has also completed a \$250k Co-Investment into Fitzpatrick Financial Group.

### 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 3LP). 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.

## Performance

The period 1 July 2017 to 30 September 2017 saw an additional \$14m in Private Equity commitments completed by VPEG3 bringing total Private Equity commitments of the fund to \$34m.

There was one new Private Equity investment (a direct co-investment) and one bolt-on acquisition, added to VPEG3's Private Equity portfolio during the period. In addition, another two investments were announced that are expected to be completed during the December 2017 quarter. The number of underlying investments is set to increase over the coming months with all underlying fund managers actively evaluating several investment opportunities.

As at 30 September 2017, VPEG3 had called 5% of investor's Committed Capital (Call No. 1) into the Fund, to cover initial establishment costs and to provide the capital required to meet the initial calls by underlying funds for working capital as well as new underlying company investments as they are completed.

## Key Portfolio Developments

During the September 2017 quarter, VPEG3 continued the development of its private equity portfolio completing investment commitments to two new (primary) private equity funds. In addition, VPEG3 continued to grow its underlying Private Equity portfolio with one new co-investment and one bolt-on acquisition added to the portfolio.

Draw downs during the quarter from VPEG3, totaling \$309,213 were made to **Adamantem Capital Fund 1** ('Adamantem 1'), **Odyssey Private Equity Fund 8** ('Odyssey 8') as well as to fund the co-investment.

The calls were required to fund the new co-investment and one bolt on acquisition as well as working capital requirements, including due diligence costs associated with new investments and VPEG3's share of establishment costs of underlying funds.

During the quarter, VPEG3 completed an investment commitment of **\$12m to Allegro Fund III** ('Allegro III'), managed by Sydney, Australia based private equity mid-market transformational capital specialist, Allegro.

In addition, VPEG3 increased its investment commitment to **Advent Partners 2 Fund** ('Advent Partners 2') by \$2m bringing VPEG3's total commitment to Advent Partners 2 to \$10m.

Furthermore, VPEG3 also completed a **co-investment** into **Fitzpatrick Financial Group** of \$250k with **Yorkway Partners** who, together with **Quadrant Private Equity** funded the strategic bolt-on acquisition of **Retirement Victoria** (refer page 2 of this report for further details).

The number of underlying company investments in VPEG3's portfolio is set to increase over the coming year with fund managers reporting solid pipelines of investment opportunities which is expected to lead to the completion of a number of new investments during 2018.

In addition, Vantage is currently undertaking Due Diligence on two additional new underlying private equity funds currently raising capital from investors, as well as assessing a number of potential co-investments.

**"VPEG3 commits \$12m to Allegro Fund III, a \$280m mid market transformational capital specialist, managed by Sydney, Australia based, Allegro."**

**"VPEG3 completes an additional \$2m commitment to the Advent Partners 2 Fund bringing VPEG3's total commitment to this fund to \$10m."**

## OVERVIEW OF NEW INVESTMENT COMMITMENTS



### Allegro Fund III

On 8 September 2017, Vantage Private Equity Growth 3 completed an investment commitment of \$12m to Allegro Fund III, managed by Sydney based Allegro ([www.allegrofund.com.au](http://www.allegrofund.com.au)). Allegro are an independently owned Australian fund manager investing primarily in mid-market businesses within Australia and New Zealand. Allegro currently manages more than \$1.0 billion of enterprise value in investments.

Allegro are specialists in "Transformational Capital" – applying capital and expertise to unlock and create value. Allegro invest equity funds on behalf of their investors, and work in partnership with management to realise growth potential and deliver enduring value to their investors.

In September 2008, Allegro became the first fund manager to be backed unanimously by institutional investors to replace the incumbent manager of an Australian private equity fund, when it was appointed to manage the \$300 million ABN AMRO Capital Australia Fund II (renamed Allegro Private Equity Fund I).

In June 2015, Allegro Fund II completed its final close with total commitments of \$180 million. Allegro II subsequently invested in eight businesses across Australia and New Zealand and have to date exited one of these companies with the sale of Great Southern Rail to Quadrant Private Equity.

Today Allegro is recognised as a leading fund manager in the mid-market segment. Allegro's team, which includes fifteen investment professionals, bring deep and varied experience in investing, turnaround management and operational value creation. Allegro have a proven ability to originate, evaluate and execute quality deals, and to drive value from mid-market businesses.

An active manager of portfolio assets, Allegro prefers hands-on involvement in both strategy and overseeing operational improvement. Allegro believe that staying close to portfolio companies is the surest path to extracting the value, and returns, that investors demand.

As the winner of the TMA Turnaround of the Year Awards in 2008, 2010, 2011 2012 and 2016, Allegro are the most recognised and awarded turnaround team in Australia.

## OVERVIEW OF NEW INVESTMENTS

### Fitzpatrick Financial Group – Co-investment with Yorkway Partners



On 31 August 2017, Vantage Private Equity Growth 3 completed a \$250,000 co-investment into Fitzpatrick Financial Group.

VPEG3 co-invested with Yorkway Partners in Fitzpatrick Financial Group who, together with Quadrant Private Equity, funded the strategic acquisition of Retirement Victoria. Yorkway and Quadrant will partner with the key management team and shareholders of Fitzpatrick's including John McMurdo, Alex Hone, John Woodley and Chris Cuffe to continue growing the business.

Fitzpatrick's was founded in 1987 as a financial planning group with a client-centric advice model and since then has grown to be one of Australia's leading wealth management firms. The expanded Fitzpatrick's Group will create a market leading wealth manager with over \$7 billion of client funds under advice and some \$1.5bn in funds under management within its fund management subsidiary, Atrium Investment Management.

The group is well capitalised and in addition to ongoing strong organic growth, Fitzpatrick's will be pursuing a number of acquisitions to further accelerate growth and expand its footprint and service offering for clients.





## OVERVIEW OF NEW INVESTMENTS — Announced

### Number One Shoes & R Hannah & Co — Allegro Fund III

During October 2017, Allegro announced the acquisition of New Zealand's Leading footwear retail group, which includes Number One Shoes ('NOS') and R Hannah & Co ('Hannahs'). NOS and Hannahs together have a total of 112 stores across New Zealand and greater than 30% share of the growing value and middle segment of the NZ footwear market.

NOS is a value orientated, big-box footwear retailer offering affordable private labelled shoes between the prices of \$20 to \$60+. This business is New Zealand's largest specialist discount retailer with 51 stores across New Zealand.

Hannahs, established in 1968, is the oldest footwear retail chain in New Zealand. The company has an enviable store network of 61 stores located in all major malls and high streets in New Zealand.

Combined, these businesses are the market leaders in New Zealand for shoes retailing from \$20 to \$200 per pair.

### Hygain Holdings Pty Ltd — Adamantem Capital Fund 1



During November 2017, Adamantem Capital Fund 1 announced the acquisition of a controlling interest in Hygain Holdings Pty Ltd, a premium Australian horse feed producer established in 1983 by Founder and CEO, Greg Manley.

Hygain specialises in high performance, Equestrian, Stud and Supplement products backed by an uncompromising commitment to equine excellence. Products are created using only the finest certified ingredients, apply the strictest quality controls and employing constantly reviewed nutritional research resulting in ground breaking innovations so as to provide customers with the highest possible standards in equine nutrition.

Hygain manufactures specialised horse feed and supplements in its modern state of the art manufacturing facility utilising revolutionary cooking processes to enhance the nutritional value of products, improving palatability, increasing feed efficiency and conversion whilst reducing incidences of dietary related equine disorders. Products also incorporate the latest in unique ingredients to support a healthy immune system and promoting gastrointestinal health and performance.

## PORTFOLIO STRUCTURE

### VPEG3's Portfolio Structure — 30 September 2017

The tables and charts below provide information on the breakdown of VPEG3's investments as at 30 September 2017.

#### Current Investment Portfolio Allocation\*

The following tables provide the percentage split of VPEG3'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 VPEG3's Private Equity portfolio.

As at 30 September 2017, the private equity component of VPEG3's investment portfolio consisted of only one

VPEG3			
Cash	Fixed Interest	Private Equity	
21.4%	12.6%	Later Expansion	66.0%
		Buyout	0.0%

investment being the co-investment in Fitzpatrick's Financial Group, as the capital for VPEG3's first underlying company investment (Heritage Lifecare) as well as for the investments announced above, were called from VPEG3 in November 2017.

**"VPEG3 currently has \$34.25m in commitments and investments across four underlying private equity funds and one co-investment."**

## PORTFOLIO STRUCTURE (continued)

### Private Equity Portfolio

VPEG3, with commitments to four Private Equity funds and one co-investment, ultimately held interests in two underlying company investments at quarter end. (These represent completed acquisitions within the portfolio as at 30 September 2017). As a result, VPEG3's Private Equity portfolio and commitments, as at 30 September 2017, 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 1	\$600m*	2017	Mid Market Expansion / Buyout	\$5.0m	\$0.05m	1	-
Odyssey Private Equity Fund 8	\$275m	2017	Mid Market Growth Capital	\$7.0m	\$0.10m	-	-
Advent Partners 2 Fund	\$300m*	2017	Lower - Mid Market Expansion / Buyout	\$10.0m	\$0.00m	-	-
Allegro Fund III	\$280m*	2017	Small to Mid Market Expansion / Buyout	\$12.0m	\$0.00m	-	-
Co-invest (Fitzpatrick Financial Group)	\$200m	2017	Mid Market Expansion	\$0.25m	\$0.26m	1	-
<b>Total</b>				<b>\$34.25m</b>	<b>\$0.41m</b>	<b>2</b>	<b>-</b>

\* Target Fund Size

## CONTACT DETAILS

### Vantage Private Equity Growth 3, LP Vantage Private Equity Management Partnership, LP

Level 3, Collins Street Tower  
480 Collins Street  
Melbourne, Victoria, 3000  
Australia

**Phone:** +61 3 8610 6595  
**Website:** www.vpeg3.info

### Vantage Asset Management Pty Limited

Managing Director - Michael Tobin  
Level 25, Aurora Place  
88 Phillip Street  
Sydney NSW, 2000  
Australia

**Phone:** +612 8211 0477  
**Fax:** +612 8211 0555  
**Email:** info@vantageasset.com  
**Website:** www.vantageasset.com

(Vantage Private Equity Management Partnership, LP is an authorised representative of Vantage Asset Management Pty Limited (ABN 50 109 671 123) AFSL 279186).