

VANTAGE PRIVATE EQUITY GROWTH 3

QUARTERLY REPORT
31 MARCH 2019

VPEG3
DIVERSIFY
GROW
OUTPERFORM

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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 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

BACKGROUND

Vantage Private Equity Growth 3 (VPEG3) 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 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 31 March 2019 VPEG3 had committed \$67.30m across seven Primary Private equity funds and two co-investments. As a result, a total of fourteen underlying company investments exist within the portfolio at quarter end. VPEG3's investment commitments include; \$12m to Allegro Fund III; \$10m to each of Adamantem Capital Fund 1, Advent Partners 2 Fund, Anchorage Capital Partners Fund III and Next Capital Fund IV, \$7.5m to Mercury Capital Fund 3 and \$7m to Odyssey Private Equity Fund 8. VPEG3 co-investments include; \$250k into Fitzpatrick Financial Group and \$500k into Tribe Brewing.

PERFORMANCE

SPECIAL POINTS OF INTEREST

VPEG3 COMMITS \$10M TO NEXT CAPITAL FUND IV, A \$350M MID-MARKET EXPANSION FUND, MANAGED BY SYDNEY, AUSTRALIA BASED, NEXT CAPITAL MANAGEMENT PTY LTD

The period 1 January 2019 to 31 March 2019 saw continued activity across the Fund's underlying of Private Equity portfolio.

During the period VPEG3 completed an additional \$10.0m Private Equity commitment to an Australian based mid market fund, bringing total Private Equity commitments of VPEG3 to \$67.30m.

Also, during the quarter one new underlying Private Equity investment was added to the portfolio. The new underlying company investment was completed by Adamantem Capital Fund 1.

The number and size of underlying investments within the VPEG3 portfolio is set to increase over the coming months with all underlying fund managers actively evaluating several new and bolt-on investment opportunities.

ADAMANTEM CAPITAL FUND 1 ACQUIRES HELLERS, NEW ZEALAND'S LEADING PRODUCER OF PROCESSED MEATS

As at 31 March 2019, all VPEG3 Investors had Paid Capital to VPEG3, LP totalling 25% of their Committed Capital to VPEG3. Furthermore, all VPEG3 Investors, with the exception of SIV investors, had Paid Capital to VPEG3A, totalling 8% of their Committed Capital to VPEG3 at quarter end.

KEY PORTFOLIO DEVELOPMENTS

VPEG3'S PORTFOLIO EXPANDS TO FOURTEEN UNDERLYING COMPANIES OPERATING ACROSS A BROAD RANGE OF INDUSTRY SECTORS

During the March 2019 quarter, VPEG3 continued the development of its private equity portfolio with one new underlying company investment added to the portfolio.

Draw downs during the quarter from VPEG3, totaling \$2,136,821 were paid to Advent Partners 2 Fund, Allegro Fund III and Odyssey Private Equity Fund 8.

The majority of calls paid during the quarter were to fund new underlying company investments or to repay bridge funding that had been utilised by underlying funds when they initially acquired portfolio companies during 2018. Additional capital was called to fund other costs associated with the operations of underlying funds, including management fees and due diligence costs incurred in completing new investments.

KEY PORTFOLIO DEVELOPMENTS_(cont.)

VPEG3'S PORTFOLIO EXPANDS TO 14 UNDERLYING COMPANIES OPERATING ACROSS A BROAD RANGE OF INDUSTRY SECTORS

During January 2019, VPEG3 completed an investment commitment of \$10.0m to Next Capital Fund IV (Next IV), managed by Sydney based Next Capital Management Pty Ltd an independently owned, Australian private equity fund manager investing primarily into mid-market sized businesses within Australia and New Zealand.

During February 2019, Adamantem Capital completed an investment into Hellers, New Zealand's leading producer of processed meats.

The number of underlying company investments in VPEG3's portfolio is set to increase over the coming year with fund managers reporting a solid pipeline of investment opportunities which is expected to lead to the completion of further new investments across 2019.

OVERVIEW OF NEW INVESTMENT COMMITMENT



Next Capital Fund IV

Next Capital Fund IV (Next IV) is a \$350m mid market expansion fund managed by Sydney based Next Capital Management Pty Ltd. Next Capital Management (www.nextcapital.com.au) was established in 2005 by Sandy Lockhart, Patrick Elliott and John White, who were former principals of Macquarie Bank's private equity division, Macquarie Direct Investment Limited (MDI). MDI raised four private equity funds that generated an average internal rate of return of around 30% from the 33 realised deals at the time of the Partners' departure.

James Murphy joined the partnership in 2014, following a period as an Investment Director with Next Capital. Prior to joining Next, James' background is in investment banking and strategy consulting. The Principals' extensive private equity experience and strong track record of success attracted the support of blue-chip Australian institutions who invested A\$265 million in Next Capital Fund I in 2005. The A\$285 million fundraising for Next Capital Fund II was concluded in 2009, and the A\$256 million fundraising for Next Capital III closed in May 2016; each of Fund II and III introduced a number of new blue-chip international investors. Having completed 50 deals in a variety of industries during their careers, the Next Capital team have a strong track record of working with management to generate returns for vendors, management and investors alike.

Next Capital Fund IV, with a target fund size of \$350m, is focused on investing into lower to mid-market expansion and buyout opportunities of profitable, Australian & New Zealand businesses, with enterprise value of between \$50 million and \$200 million at investment. Next Capital Fund IV is expected to complete its first investment during the June 2019 quarter.

OVERVIEW OF NEW INVESTMENT



Hellere - Adamantem Capital Fund 1

On 4 February 2019, Adamantem Capital completed an investment into Hellere, New Zealand's leading producer of processed meats.

Established in 1985 by Todd Heller, Hellere has grown from a single butchery to become New Zealand's largest producer of processed meats including sausages, bacon, ham, salami and other small goods. Hellere also produces other value added products including frankfurters, salami, burger patties, meatballs, poultry and cold cuts. In July 2018, Hellere acquired Moira Mac's Poultry and Fine Foods Pty Ltd, an Australian manufacturer of chilled ready to eat poultry products based in Bendigo Victoria.

Adamantem sees top line growth opportunities in Australia and New Zealand by investing in new product developments and distribution channels to further grow market share. The strategic outlook for the company is to make the well-known brand more widely available through non-grocery channels particularly in food service and quick service restaurants.

PORTFOLIO STRUCTURE

VPEG3 currently has \$67.30m in commitments and investments across seven underlying private equity funds and two co-investments

VPEG3's Portfolio Structure - 31 March 2019

The tables and charts below provide information on the breakdown of VPEG3's investments as at 31 March 2019

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.

As at 31 March 2019, the private equity component of VPEG3, LP's investment portfolio consisted of eleven investments across VPEG3's underlying portfolio investments, which include; Hygain Holdings, Ngahua Group, Endeavour Learning Group, Servian Group, Adventure Holdings Australia Pty Ltd (Oztrail), Mining Technologies Holdings Pty Limited, SILK Laser & Skin Holdings Pty Ltd, Compass Education, South Pacific Laundries, Zenitas Healthcare and Hellers.

| VPEG 3, LP | | | |
|------------|----------------|-----------------|-------|
| Cash | Fixed Interest | Private Equity | |
| 0.3% | 1.2% | Later Expansion | 48.0% |
| | | Buyout | 50.5% |

As at 31 March 2019, the private equity component of VPEG3A's investment portfolio consisted of three investments including; Heritage Lifecare, Fitzpatrick Financial Group and Tribe Brewing.

| VPEG3A | | | |
|--------|----------------|-----------------|-------|
| Cash | Fixed Interest | Private Equity | |
| 0.3% | 31.6% | Later Expansion | 24.8% |
| | | Buyout | 43.3% |

PORTFOLIO STRUCTURE (cont.)

Private Equity Portfolio

VPEG3, with commitments to seven Private Equity funds and two co-investments, ultimately held interests in fourteen underlying company investments at quarter end. (These represent completed acquisitions within the portfolio as at quarter end). As a result, VPEG3's Private Equity portfolio and commitments, as at 31 March 2019, 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 | \$591m | 2017 | Mid Market Expansion / Buyout | \$10.0m | \$4.35m | 5 | - | |
| Odyssey Private Equity Fund 8 | \$275m | 2017 | Mid Market Growth Capital | \$7.0m | \$2.34m | 2 | - | |
| Advent Partners 2 Fund | \$300m | 2017 | Mid Market Expansion / Buyout | \$10.0m | \$2.39m | 2 | - | |
| Allegro Fund III | \$290m | 2017 | Mid Market Expansion / Buyout | \$12.0m | \$1.65m | 2 | - | |
| Anchorage Capital Partners Fund III | \$350m | 2017 | Mid Market Expansion / Buyout | \$10.0m | \$0.42m | 1 | - | |
| Mercury Fund 3 | \$600m | 2019 | Mid Market Expansion | \$7.5m | \$0.15m | 0 | - | |
| Next Capital Fund IV | \$350m* | 2019 | Mid Market Expansion | \$10.0m | - | 0 | - | |
| Co-invest (Fitzpatrick Financial Group) | \$200m | 2017 | Mid Market Expansion | \$0.25m | \$0.27m | 1 | - | |
| Co-invest (Tribe Brewing) | \$30m | 2018 | Mid Market Expansion | \$0.55m | \$0.51m | 1 | - | |
| | | | | Total | \$67.30m | \$12.06m | 14 | - |

*: Target fund size

PORTFOLIO STRUCTURE (cont.)

Summary of VPEG3's Underlying Private Equity Investments

The table below provides an overview of the top ten underlying private equity investments in VPEG3's portfolio.

| Rank | Investment | Fund | Description | % of VPEG3's Private Equity Investments | Cumulative % |
|------|--|-------------------------------|---|---|--------------|
| 1 | Compass Education | Advent Partners 2 Fund | Student Information System Software / Services provider | 12.5% | 12.5% |
| 2 | Heritage Lifecare Limited | Adamantem Capital Fund 1 | New-Zealand age-care & retirement village operator | 10.6% | 23.1% |
| 3 | Adventure Holdings Australia Pty Ltd (Oztrail) | Odyssey Private Equity Fund 8 | Leading outdoor equipment brand | 10.0% | 33.1% |
| 4 | Hygain | Adamantem Capital Fund 1 | Australian horse feed & supplement manufacturer & distributor | 9.1% | 42.1% |
| 5 | Mining Technologies Holdings Pty Limited | Odyssey Private Equity Fund 8 | Leading global provider of data & voice communications | 8.5% | 50.7% |
| 6 | Hellers | Adamantem Capital Fund 1 | Producer of processed meats in New Zealand | 8.0% | 58.7% |
| 7 | Zenitas Healthcare | Adamantem Capital Fund 1 | Community-based healthcare provider | 7.9% | 66.6% |
| 8 | Endeavour Learning Group | Allegro III | Higher education institution in the natural health sector | 7.9% | 74.5% |
| 9 | SILK Laser & Skin Holdings Pty Ltd | Advent Partners 2 Fund | Premium provider of laser and skin rejuvenation services. | 6.8% | 81.3% |
| 10 | Ngahua Group | Allegro III | New Zealand footwear retailer | 6.1% | 87.4% |

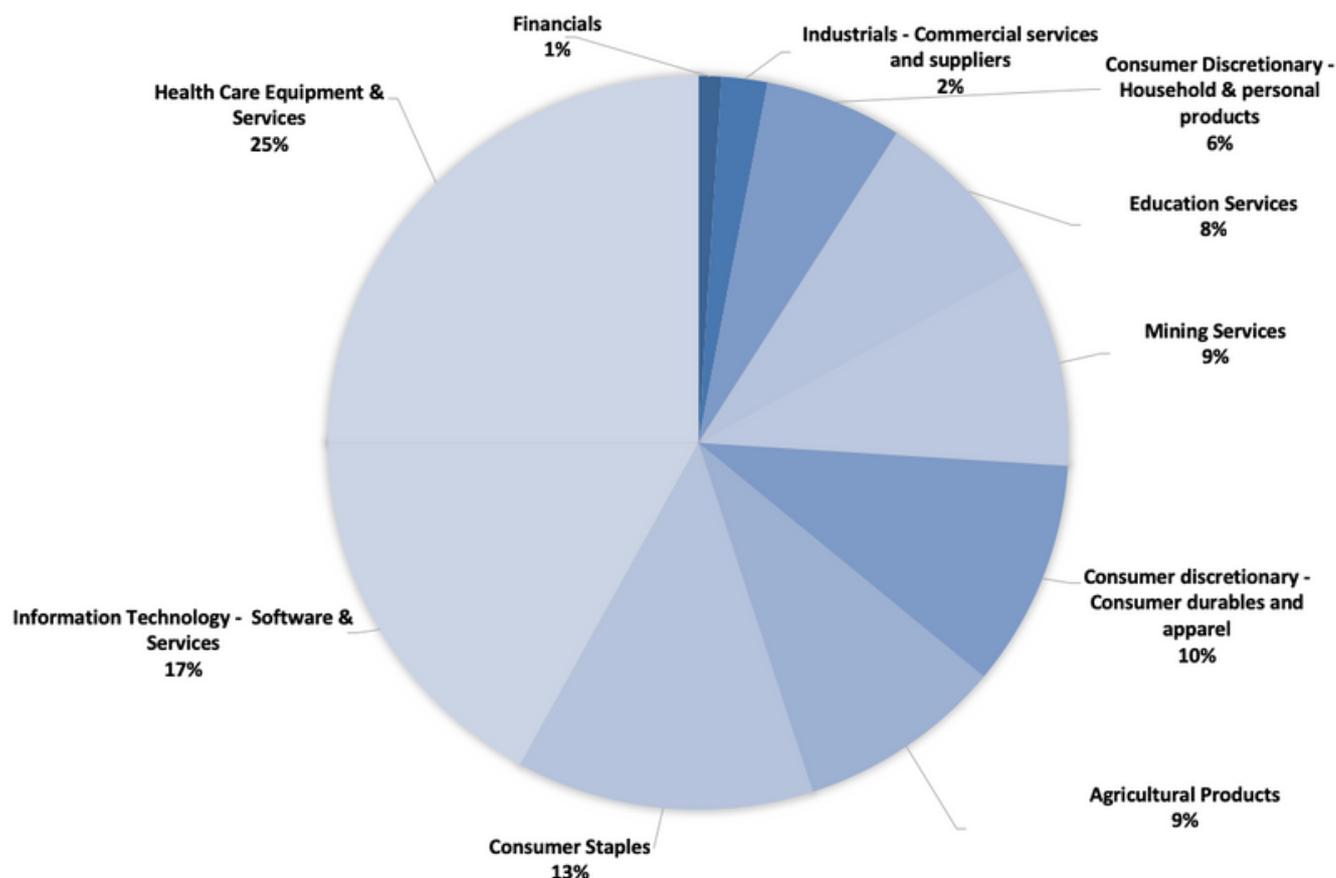
PORTFOLIO STRUCTURE (cont.)

Industry Spread of VPEG3's Underlying Investments

The completion of the investments in Hellers, by investee Adamantem Capital Fund 1 during the quarter, increased VPEG3's exposure to the "Consumer Staples" industry sector from 6% to 13%.

Furthermore, capital paid by VPEG3 to Advent Partners 2 to fund their investment into Compass Education during the quarter, increased VPEG3's exposure to the "Information Technology - Software & Services" industry sector from 11% to 17%.

The "Health Care Equipment & Services" sector represents VPEG3's largest industry sector exposure at 25%.



MARKET UPDATE

Market & Economic Conditions

On a macro-economic level, the economies of Australia and New Zealand are both slowing from their recent highs but are still growing at rates higher than many developed countries. Clearly some sectors of the economies will slow more than others and accordingly industry focus will become more important than in the immediate past. Australia and New Zealand look likely to remain as attractive destinations for private equity investors particularly as we enter the late stage of the cycle. Notwithstanding these emerging issues the fundamentals in terms of competition and deal pricing remain overwhelmingly positive which should see the VPEG3 portfolio continue to expand across 2019.

Pricing for transactions in the lower to mid-market remains unchanged from previous quarters, reflecting the fact that the level of competition between fund managers is modest. The flow of new opportunities remains strong and the quality of opportunities continues to be robust. While the Christmas and New Year period typically are slower than other parts of the year this has not been the case this year with many new opportunities reviewed and progressed through to due diligence by VPEG3's underlying managers.

With limited competition from other sponsors and sensible lending terms being provided by local banks, the prices being paid for new private equity transactions in this market is well within historic multiples and below global averages for lower to mid-market transactions. While there is obviously still competition from trade buyers, Australia and New Zealand appear to have avoided the asset price inflation experienced in some overseas markets.

The outlook for exits within the VPEG3 portfolio is positive with good demand coming from a variety of sources. Liquidity is available by sales to trade buyers, secondaries to buyout firms, and through the public markets. The IPO market remains the least attractive strategy at the current time reflecting in part the fact that the current equity cycle has been going for some time. Anecdotal evidence would suggest that there continues to be a steady stream of exits at good multiples, which have generated good returns for fund investors. As such we anticipate that the first exit from VPEG3's underlying portfolio is likely to occur by the end of 2019, delivering a distribution to VPEG3 investors by year end.

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