

QUARTERLY REPORT

VANTAGE PRIVATE EQUITY SECONDARIES OPPORTUNITIES FUND

QUARTERLY INVESTOR REPORT
30 SEPTEMBER 2022



VPESO - DIVERSIFY. GROW. OUTPERFORM.

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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 Manager of the Vantage Private Equity Secondaries Opportunities Fund (VPESO). 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.

SUMMARY

During July 2021, Vantage Asset Management Pty Limited ('Vantage') established the Vantage Private Equity Secondaries Opportunities Fund ('VPESO' or the 'Fund') an open ended wholesale, Australian unit trust, structured as a Managed Investment Trust (MIT). The Fund was established to provide sophisticated investors with exposure to a highly diversified portfolio of Australian and New Zealand lower to mid-market secondary and co-investment private equity opportunities.

VPESO's investment strategy is focused on secondary private equity and co-investments in the lower to mid-market. This segment of private equity focuses on investments into profitable businesses with proven products and services. These businesses typically have a strong market position and generate strong cash flows, which will allow the Fund to generate strong consistent returns to investors, while significantly reducing the risk of a loss within the portfolio.

To achieve the Fund's investment objective, VPESO will acquire direct secondary positions in existing Private Equity funds, acquire existing interests in Vantage Private Equity Growth Fund series funds as well as invest in selective co-investment opportunities and other preferred equity opportunities in target Private Equity funds.

On 27 July 2021 and 31 August 2021, the Fund closed its initial two tranches of capital raising with a total of 16,016,600 units issued at \$1.00 per unit. In July 2022, the Fund completed a further capital raising, with a total of 2,130,491 units issued at \$1.16 per unit. In September 2022, the Fund completed another capital raising, with a total of 4,461,148 units issued at \$1.17 per unit.

Further Capital has also been paid by the Fund to meet the call payment obligations made by Advent in respect of the Fund's investment in Advent Partners 2. The remaining Capital held by the Fund is invested into cash and short-term deposit investments with Westpac Bank to obtain income and capital stability without sacrificing liquidity.

As at 30 September 2022, a total of \$20,409,118 of the Fund's capital had been utilised to acquire the interests in Advent Partners 2, Anchorage Capital Partners Fund III and Vantage Private Equity Growth 3, as well as to invest further capital into Advent Partners 2 Fund and Anchorage Capital Partners Fund III for additional portfolio company investments completed to date. A minor investment was made also acquired in Vantage Private Equity Growth 2.

VPESO has also completed an investment of \$2m in Gull NZ, alongside Allegro Fund IV, and an investment of \$2m into Compare Club, alongside Next Capital Fund IV.

As a result, VPESO ultimately held interests and commitments in 49 underlying company investments at quarter end.

SPECIAL POINTS OF INTEREST

VPESO makes a \$2 million co-investment alongside Next Capital into Compare Club, one of Australia's leading personal finance marketplaces, currently offering comparison and brokerage services across health and life insurance, as well as home loan products

Anchorage Capital Partners Fund III announces the acquisition of Evolve Education Group's New Zealand business Evolve NZ, which is New Zealand's second largest early childhood education business consisting of a national portfolio of ~105 centres

Anchorage Capital Partners Fund III announces the sale of RailFirst Asset Management for a media reported \$425 million, generating a ~4.0x Multiple of Invested Capital to Anchorage Fund III investors including VPESO

PERFORMANCE

The period 1 July 2022 to 30 September 2022, saw continued levels of Private Equity activity across VPESO's portfolio, with an additional \$2 million co-investment commitment approved by VPESO's investment committee.

During the quarter, the Fund completed further capital raises, across 2 tranches, raising a total of \$7.62 million in additional capital, resulting in the issuance of 6,591,639 units. This capital has been partially used to fund the co-investment in the co-investment alongside Next Capital Fund IV into Compare Club, with the excess cash being available to be used to fund additional private equity secondary opportunities in the short-term as they arise.

In addition, Anchorage Capital Partners Fund III announced the sale of portfolio company RailFirst Asset Management, as well as the acquisition of new underlying portfolio company Evolve NZ during the period.

VPESO's portfolio remains resilient throughout the current public market volatilities, with minimal movement in valuations being noted across the period. This can be attributed to the well-documented ability of Private Equity to provide investors with higher risk-adjusted returns than that of equity markets.

As a result of VPESO's strong performance across FY22, the Manager declared and paid a cash distribution during October 2022 of \$0.03 per Unit to all VPESO investors who were on register as at 30 June 2022.

Drawdowns during the quarter from VPESO, totalling \$62,333 were paid to Advent Partners 2 Fund to cover management fees and working capital expenses of that fund.

The table on the left provides a summary of the performance of the Fund's portfolio during the September 2022 quarter. As illustrated, VPESO's Net Asset Value reduced slightly by 2.45% across the quarter from \$1.220 per Unit at 30 June 2022 to \$1.190 per Unit as at 30 September 2022.

The change in value was mainly due to the the slight decrease in portfolio value and management fees for the period.

Month Ending	VPESO NAV per Unit (\$) *
30-Sep-22	1.190
30-Jun-22	1.220

* Before performance fees and distribution paid in October 2022

PORTFOLIO DEVELOPMENTS

Across the September 2022 quarter, there was continued activity across VPESO's portfolio with the announcement of a new underlying company investment, as well as a \$2m co-investment into Compare Club, which VPESO also has exposure to through the underlying fund, Next Capital IV (via the investment in VPEG3). In addition, it was announced that a portfolio company had signed an agreement to be sold from the underlying portfolio. These transactions are detailed below:

New co-investment:

VPESO continued its private equity investment program receiving Investment Committee approval to make a \$2 million co-investment alongside Next Capital Fund IV into Compare Club, one of Australia's leading personal finance marketplaces, currently offering comparison and brokerage services across health insurance, life insurance and home loan product.

Acquisition of underlying portfolio company:

During September 2022, Anchorage Capital Partners Fund III announced the acquisition of 100% of Evolve Education Group's New Zealand business, "Evolve NZ". Evolve NZ is New Zealand's second largest Early Childhood Education business consisting of a national portfolio of ~105 centres.

Exit of underlying portfolio company:

During September 2022, Anchorage Capital Partners Fund III announced the sale of RailFirst Asset Management for a media reported \$425 million, delivering a ~4.0x Multiple of Invested Capital to Anchorage Fund III investors including VPESO via the commitment to Anchorage and indirectly through VPEG3. The proceeds of the sale, which was finalised during October 2022, were distributed to VPESO in late October 2022, providing an exceptionally strong return on investment to VPESO's investors.

As at quarter end, VPESO had ultimately committed to and invested in 49 underlying company investments with 7 exits completed (partially or fully realised) from the underlying funds.

OVERVIEW OF NEW CO-INVESTMENT

COMPARE CLUB / NEXT CAPITAL FUND IV

During September 2022, VPESO's Investment Committee approved a \$2 million co-investment alongside Next Capital Fund IV (a VPEG3 investee) into Compare Club, one of Australia's leading personal finance marketplaces, currently offering comparison and brokerage services across health insurance, life insurance and home loan products.



Originally created in 2017 via the merger of ChooseWell (health insurance sales brokerage business) and Alternative Media (a specialist digital lead generation business), CC has engaged over 3.7 million members over time across its key verticals of health insurance. The business is uniquely positioned in the comparison site marketplace through its data-driven digital marketing and lead generation, and full-service end-to-end conversion and sales capability.

Next Capital are partnering with a high quality management team to organically grow earnings across the business' three key verticals, explore new channel and product offerings and increase marketing capabilities.

OVERVIEW OF NEW UNDERLYING INVESTMENT

EVOLVE NZ - ANCHORAGE CAPITAL PARTNERS FUND III

During September 2022, Anchorage Capital Partners Fund III announced the acquisition of Evolve Education Group's New Zealand business, "Evolve NZ".



Evolve NZ is New Zealand's second largest Early Childhood Education business consisting of a national portfolio of ~105 centres. The New Zealand Early Childhood Education Sector is an essential service and benefits from strong and growing government support as well as increased workforce participation, rising household income and population growth.

Over the past two and a half years, Evolve NZ's performance has been challenged as a result of being directly impacted by Government-mandated closures in response to COVID-19 and closed borders, leading to teacher shortages and a significant impact to overall centre occupancy.

Anchorage have identified several key growth drivers that provide a clear path to earnings uplift for Evolve, leveraging Anchorage's previous experience in the childcare sector through successfully growing and ultimately selling Affinity Education Group from Anchorage Capital Fund II.

OVERVIEW OF RECENTLY ANNOUNCED EXIT

RAILFIRST ASSET MANAGEMENT – ANCHORAGE CAPITAL PARTNERS FUND III

During September 2022, Anchorage Capital Partners Fund III announced the 100% sale of RailFirst Asset Management to investment firms DIF Capital Partners and Amber Infrastructure for a media reported \$425 million, delivering a media reported ~4.0x Multiple of Invested Capital to Anchorage Fund III investors including VPESO. VPESO has an additional exposure to this exit through its investment in VPEG3, which has commitments to Anchorage Fund III, and will gain an additional benefit once these proceeds are distributed to VPEG3's investors.



Anchorage Fund III acquired RailFirst Asset Management in December 2019, which at the time had a dominant market position, however was an underperforming non-core Australian asset owned by a large American group. Under Anchorage III's ownership the Company was repositioned to focus on Australia's growing intermodal sector, made material investment in implementing new systems and processes which delivered strong sustainable growth.

Rail First Chairman, Beau Dixon, said "Rail First is an excellent example of Anchorage management identifying a complex special situation opportunity of an underperforming non-core asset, implementing a highly successful change program, repositioning Rail First's strategic direction, bringing in world-class management, and fixing the bottom line."

The sale of RailFirst Asset Management completed in early October 2022, delivered an exceptionally strong return for Anchorage Capital Fund III, including VPESO across Anchorage III's 2.7-year hold period. VPESO's share of the sale proceeds was received by VPESO during October 2022.

PORTFOLIO STRUCTURE

VPESO's PORTFOLIO STRUCTURE - 30 SEPTEMBER 2022

The tables and charts below provide information on the breakdown of VPESO's investments as at 30 September 2022.

CURRENT INVESTMENT ALLOCATION

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

VPESO			
Cash	Fixed Interest Investments	Private Equity	
11.4%	0.3%	Later Expansion	42.9%
		Buyout	45.5%

PRIVATE EQUITY PORTFOLIO

VPESO, with commitments to and investments in two Private Equity funds, one fund of funds and two co-investments, has ultimately committed to and invested in 49 underlying company investments at quarter end, with six exits completed to date. As a result, VPEG3's Private Equity portfolio and commitments, as at 30 September 2022, were as follow:

Acquisition	Fund Size	Vintage Year	Investment Focus	VPESO Acquisition	Capital Drawn Down	Total No. of Investee Companies	No. of Exits
Advent Partners 2 Fund	\$300m	2017	Lower to Mid Market Growth / Buyout	\$10.00m	\$9.21m	7	1
Anchorage Capital Partners Fund III	\$350m	2017	Mid Market Turnaround / Buyout	\$5.00m	\$4.22m	4	-
Vantage Private Equity Growth 3	\$600m	2019	Fund of Funds - Lower to Mid Market Growth / Buyout / Turnaround	\$3.15m	\$2.96m	46	6
Co-invest No.1 - Gull New Zealand	~\$500m	2022	Mid Market Special Situations	\$2.00m	\$2.00m	1	-
Co-invest No.2 - Compare Club	\$110m	2022	Later Stage Buyout	\$2.00m	\$2.00m	1	-
Total¹				\$22.15m	\$20.41m	48	6

¹Total No. of Investee Companies and No. of Exits excludes duplicates and announced investments or exits.

SUMMARY OF VPESO'S UNDERLYING PRIVATE EQUITY INVESTMENTS

The table below provides a summary of the top ten underlying private equity investments in VPESO's portfolio for which capital had been called from VPESO as at 30 September 2022.

Rank	Underlying Investment	Fund	Description	% of VPESO's Private Equity Investments	Cumulative %
1	Compass Education	Advent Partners 2 Fund	Student Information System Software / Services Provider	16.3%	22.2%
2	Rail First Asset Management	Anchorage Capital Partners Fund III	Rail Leasing Business	12.4%	28.7%
3	Medtech Global	Advent Partners 2 Fund	Provider of Practice Management Software	10.4%	39.1%
4	Compare Club	Co-Investment No. 2	Personal finance marketplace	8.7%	47.8%
5	Gull NZ	Co-Investment No. 1	New Zealand petroleum distribution company and petrol station chain	8.4%	56.2%
6	Flintfox	Advent Partners 2 Fund	Developer of Trade Revenue Management Software	6.3%	62.5%
7	Imaging Associates Group	Advent Partners 2 Fund	Diagnostic Imaging Service Provider	5.4%	67.9%
8	Zero Latency	Advent Partners 2 Fund	Virtual Reality Gaming Developer & Experience Attraction	5.1%	73.0%
9	Mandoe Media	Advent Partners 2 Fund	Digital Signage & Customer Engagement Software Services	4.7%	77.6%
10	Specialised Linen Services	Anchorage Capital Partners Fund III	Leading National Laundry Operator	4.1%	81.8%

INDUSTRY SPREAD OF VPESO’S UNDERLYING INVESTMENTS

The chart below provides a breakdown of the industry spread of VPESO’s underlying portfolio as at 30 September 2022.

As demonstrated by the chart VPESO’s exposure to the “Information Technology – Software & Services” industry sector, represents the fund’s largest industry sector exposure at 31.4% of VPESO’s total portfolio at quarter end.

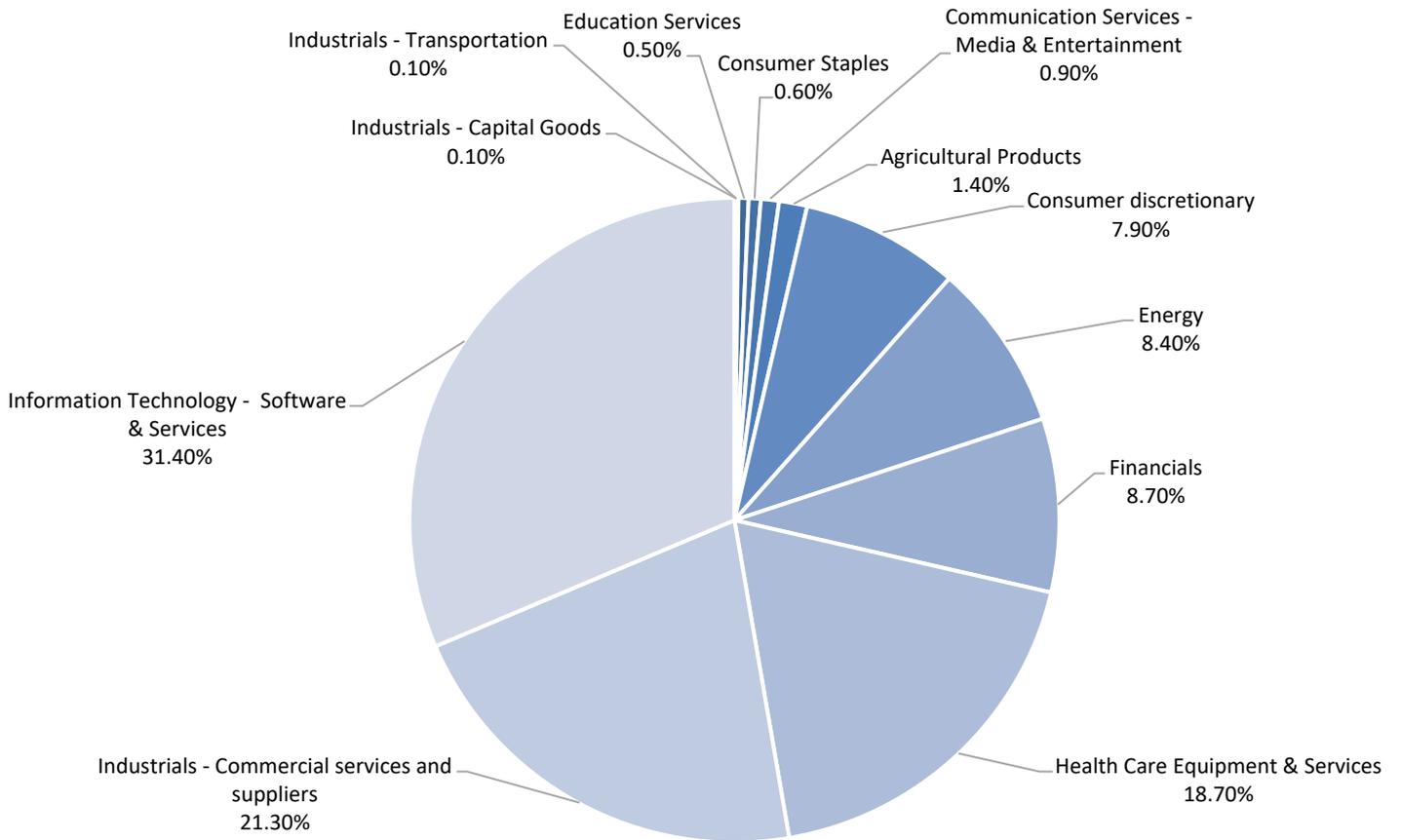


Figure: Industry exposure of VPESO’s underlying investments

MARKET & ECONOMIC UPDATE

Similar to conditions being experienced in most developed markets, the economic environment in Australia and New Zealand continues to be uncertain, with supply chain disruption, relatively high inflation, rising interest rates and a persisting tight labour market.

In response to these economic conditions, the RBA has continued to increase interest rates which are currently at 2.5% and expected to be at ~3.1% by the end of CY2022. Inflation continues to rise and is expected to peak at just over 7% in late 2022. Housing prices have fallen and are expected to fall by 15% by year end. However, the Australian economy continues to grow (4.1% expected 2022 growth), with low unemployment persisting (3.5% in August 2022). Unemployment seems likely to remain low but could rise slightly in 2023 once borders have been open for longer and normal migration has resumed, easing some of the current pressure on wages. Consumer spending has been strong over the last quarter, but sentiment indicators suggest this is starting to dampen as a result of higher interest rates and sustained inflationary pressures.

In listed markets, FY22 earnings were broadly in line with consensus, however forward earnings guidance had a skew towards downgrades. Trading in the September quarter was subdued in most sectors because of continuing disruption across many industries. Increasingly, market commentary is predicting an economic slowdown in the United States, and we are conscious that this could also occur in Australia and New Zealand.

M&A activity in YTD 2022 has been strong albeit lower than levels seen in 2021, with \$130 billion worth of deals being announced in Australia and New Zealand so far. In private equity, 32 buyout deals were announced in Australia in 2022 and the cadence of deal activity to September was robust, though activity is starting to slow in the large buyout end of the market.

VPESO's underlying managers continue to explore exit opportunities to realise their existing portfolio companies. With the IPO window having closed, in addition to recessionary worries permeating across the local and global economy, it's possible that this may make exits at attractive multiples increasingly challenging. However, significant levels of dry powder held by the larger buyout funds may alleviate these concerns, as it provides an opportunity for VPESO's managers, to exit businesses with defensive characteristics, proven by their performance despite the challenges in recent years. VPESO's underlying managers are expecting the number of exits to increase as they look to complete exit negotiations of a number of portfolio companies, ultimately delivering further returns to VPESO investors.

As a result of the broader economic slowdown and heightening volatility of public markets mentioned above, secondary transactions are expected to continue to become available during 2023. The expected increase in transactions can be attributed to limited partners needing to rebalance their portfolios as they become overweight private equity as public equities values continue to fall. For VPESO, it's expected that this will lead to further opportunities to deploy capital towards additional secondary private equity purchases at favourable discounts.

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