

VANTAGE PRIVATE EQUITY SECONDARIES OPPORTUNITIES FUND



QUARTERLY INVESTOR REPORT
31 DECEMBER 2024

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EXECUTIVE SUMMARY

Welcome to the Vantage Private Equity Secondaries Opportunities (VPESO) Fund quarterly investor report for the quarter ending 31 December 2024.

During the December 2024 quarter, VPESO continued the build-out its secondary private equity portfolio, completing additional secondary acquisitions totalling \$2.0m in investment commitments, adding to existing fund holdings across the period.

The December quarter was particularly active with three new platform investments added to VPESO's portfolio and six new company exits announced, as well as one additional exit announcement post quarter end. Strong momentum across VPESO's portfolio delivered a twelve month **net return of 22.3% across calendar year 2024**, highlighting the strength of VPESO's investment strategy. VPESO is well positioned to continue to grow in value as underlying portfolio companies are sold off and the proceeds from these exits are received by the Fund.

PORTFOLIO HIGHLIGHTS

During the quarter, **VPEG3** investee **Odyssey Fund 8** announced the sale of **Delta Agribusiness** to Elders Limited, an ASX listed Australian agribusiness company. In addition, **Advent Partners 2 Fund** and **VPEG3** underlying portfolio company **Flintfox International** announced the sale of their interest to Enable Global Inc. a global provider of rebate and incentive management software.

Furthermore, **VPEG4** investee **Adamantem Capital Fund II** announced the sale of **Linen Services Australia** to funds managed by Macquarie Asset Management. The **Growth Fund III** announced the sale of **Plan B. CPE Capital 9** sold its stake in **Direct Group** back to management. Additionally, **Next Capital Fund IV** sold their remaining interests in **Inter Healthcare** to a combination of Healthia and Abundant Health. Finally, post quarter end, in February 2025, **Advent Partners 2 Fund** announced the sale of portfolio company **Medtech**.

As a result of these strong exits, including the completion of the sale of Compass Education which was announced last quarter, a **distribution of c.\$0.24 per unit** will be paid to VPESO investors during the March 2025 quarter, further increasing the Fund's Distributed to Paid In (DPI) multiple and annualised return.

Turning to new investments, within **VPEG4**, **Potentia Fund II** announced the acquisition of **Storypark**, a provider of software to the early childhood education sector in Australia, New Zealand and Canada. Additionally, **CPE Capital 9** completed the acquisition of the **British Sausage Company** a leading manufacturer of fresh sausages, burgers, smallgoods and value-added meat products. Finally, **Adamantem Capital Fund II** acquired **Mason Stevens**, a leading wealth management platform. This brings the total number of unique company investments completed in VPESO to 113. The broader VPESO portfolio was also highly active, with seven strategic bolt-on acquisitions completed during the quarter across six underlying portfolio companies.

VPESO FUND ACTIVITY

During the quarter, **distributions** totalling **\$2,355,270** were received from **Growth Fund, Advent Partners 2 Fund** and **VPEG4**.

Additionally, drawdowns totalling **\$1,762,891** were paid to acquire secondary positions in **VPEG3** and **VPEG4**, as well as to meet capital calls issued by **VPEG4, LP** and **Genesis Capital Fund I**. This brings the total commitments in **VPEG3** to \$11.2m and **VPEG4** to \$3.5m. Capital was also called to fund follow-on investments into existing portfolio companies, management fees and working capital requirements of VPESO's underlying private equity funds. As a result, VPESO has paid a total of **\$39,559,493** to date which consists of six secondary private equity fund acquisitions and three co-investments.

VPESO PERFORMANCE

VPESO had another strong quarter, with valuations seeing an uplift across the portfolio and continued exit activity. As the Fund matures, VPESO's performance continues to progress in line with the Fund's investment objective of delivering investors strong risk adjusted returns across the medium to long-term. As such, VPESO's **NAV** increased by 6.4% across the quarter to **\$1.418** per Unit as at 31 December 2024, generating a net annualised return of **16.04% p.a.** since the Fund's inception in July 2021.



EXECUTIVE SUMMARY

VPEG6 MAKES FIRST PORTFOLIO COMPANY INVESTMENT

During the December 2024 quarter, VPEG6 achieved a significant milestone with the Fund's first portfolio company acquisition, of **Pacific Smiles Group Limited** (ASX:PSQ), the second largest dental platform in Australia, by **Genesis Capital Fund II** (GC Fund II).

The acquisition of Pacific Smiles marks an exciting period for VPEG6, commencing the underlying portfolio company activity within the Fund. Other private equity managers within the VPEG6 portfolio are also engaged in advanced due diligence on potential investment opportunities. The execution of these opportunities would see VPEG6's underlying company portfolio grow across Q3 & Q4 FY25.

VPEG6 AND VANTAGE - YEAR IN REVIEW

Upon the closing of VPEG6's inaugural calendar year, the Vantage team is pleased to reflect upon the journey of VPEG6 to date. The 2024 calendar year saw the launch and first close of VPEG6, the successful investment of three primary private equity fund commitments to leading Australian and New Zealand (ANZ) private equity managers, and the Fund's first portfolio company investment.

Across all the Vantage Private Equity Growth (VPEG) funds during calendar year 2024, 13 companies were sold from the VPEG funds, delivering a gross 3.0x Multiple of Invested Capital (MOIC) and an average annualised return of 34.3%.

On the investment front, 18 new company investments were completed by the VPEG funds, representing a combined Enterprise Value of over \$3.5 billion.

During the December 2024 quarter alone, there were five new investments added to the portfolios and six companies sold from Vantage's flagship private equity funds.

This reinforces the strength of Vantage's focus on the lower to mid-market segment of Private Equity across ANZ. Vantage has strategically targeted this compelling area of the market, which has the largest opportunity set of private companies in Australia, and the lowest-level of competition amongst private equity managers.

VPEG6 REMAINS OPEN FOR INVESTMENT

VPEG6 will remain open for investment until either the Fund's target size of \$250 million is reached, or the second anniversary of the First Closing Date. If you wish to learn more on VPEG6 or would like to make an application, please contact Vantage's Investor Services Team via email at info@vantageasset.com or call 02 9067 3133.

An application can be made by contacting your Wealth Adviser or through VPEG6's Online Application form by copying the following link into your web browser; <https://apply.automic.com.au/VPEG6>.

VANTAGE 20-YEAR ANNIVERSARY

During December, Vantage celebrated its 20-year anniversary on Sydney Harbour, with the Vantage team celebrating with a number of prominent and long-time investors, advisers and private equity fund managers. The event was an extraordinary reminder of the trust and collaboration that have been fundamental to the Vantage journey, and the partnerships that continue to shape Vantage's future.

VANTAGE TEAM STRATEGY OFFSITE

Capping off an active quarter for Vantage, the firm held its 2024 Strategy Offsite in the Hunter Valley, allowing the team to align on Vantage's vision and plans for 2025 and beyond. The Strategy Offsite provided an invaluable opportunity to strengthen the team's focus on delivering exceptional value to Vantage's investors and continue to build strong relationships with Vantage's private equity managers, whilst ensuring the firm remains agile and responsive in an ever-evolving private equity market.

PERFORMANCE



PERFORMANCE

\$ REPORTED IN AUD

QUARTER ENDING	31 DECEMBER 2024
INCEPTION DATE	27 JULY 2021
STRATEGY	SECONDARY PRIVATE EQUITY & CO-INVESTMENT
NO. OF UNITS ISSUED	35,334,058
NET ASSET VALUE (NAV) \$ PER UNIT	\$1.418
NET RETURN - 1 MONTH	5.0%
NET RETURN - 3 MONTHS	6.4%
NET RETURN - 6 MONTHS	6.5%
NET RETURN - 1 YEAR	22.3%
NET RETURN - 2 YEARS	33.2%
ABSOLUTE NET RETURN	63.0%
NET ANNUALISED RETURN	16.0%
PORTFOLIO	
TOTAL SECONDARY AND CO-INVESTMENT COMMITMENTS ACQUIRED	\$50.54 MILLION
NO. OF SECONDARY FUND COMMITMENTS ACQUIRED	6
NO. OF CO-INVESTMENTS	3
NO. OF PORTFOLIO COMPANIES ¹	113
NO. OF EXITS	22
NO. OF REMAINING PORTFOLIO COMPANIES	91

1. No. of portfolio companies only considers unique number of portfolio companies and excludes duplicates.

SECONDARY PRIVATE EQUITY PORTFOLIO





SECONDARY PRIVATE EQUITY PORTFOLIO

VPESO PRIVATE EQUITY PORTFOLIO

PRIVATE EQUITY FUND NAME ¹	FUND / DEAL SIZE (\$M)	VINTAGE	INVESTMENT FOCUS	ACQUIRED COMMITMENT (\$M)	CAPITAL DRAWN (\$M)	PORTFOLIO COMPANIES	EXITS ⁴
ADVENT PARTNERS 2 FUND	\$300	2017	EXPANSION / BUYOUT	\$10.00	\$9.14	7	3
ANCHORAGE CAPITAL PARTNERS FUND III	\$360	2017	TURNAROUND	\$5.00	\$4.94	5	2
VANTAGE PRIVATE EQUITY GROWTH 3	\$68	2019	FUND OF FUNDS - GROWTH / BUYOUT / TURNAROUND	\$11.20	\$8.73	50	14
GENESIS CAPITAL FUND I	\$190	2020	EXPANSION / BUYOUT	\$1.30	\$1.12	9	-
THE GROWTH FUND III	\$450	2017	EXPANSION / BUYOUT	\$6.00	\$5.39	12	4
VANTAGE PRIVATE EQUITY GROWTH 4	\$180	2021	FUND OF FUNDS - GROWTH / BUYOUT / TURNAROUND	\$3.50	\$1.73	41	4
CO-INVEST NO. 1 (GULL NEW ZEALAND)	NZ\$495	2022	BUYOUT	\$2.00	\$2.00	1	-
CO-INVEST NO. 2 (COMPARE CLUB) ²	\$160	2022	GROWTH CAPITAL	\$2.50	\$2.50	1	-
CO-INVEST NO. 3 (PAC TRADING)	\$71	2023	GROWTH CAPITAL	\$1.00	\$1.02	1	-
			TOTAL	\$42.50	\$36.56	113³	22

1. Excludes small holdings acquired for less than \$0.05m each of VPEG2B and Catalyst Buyout Fund 2. Also excludes duplicates.

2. Co-Invest No.2 – Compare Club, was acquired by VPESO in two separate tranches and into two separate entities

3. Excludes duplicated investments

4. Includes both completed and announced exits at reporting period end



SECONDARY PRIVATE EQUITY PORTFOLIO

TOP 10 HOLDINGS ACROSS THE PORTFOLIO

	PORTFOLIO COMPANY	FUND	DESCRIPTION	% SHARE	CUMULATIVE
1	COMPASS EDUCATION ¹	ADVENT PARTNERS 2 FUND	STUDENT INFORMATION SYSTEM SOFTWARE / SERVICES PROVIDER	13.5%	13.5%
2	COMPARE CLUB	CO-INVEST NO.2	PERSONAL FINANCE MARKETPLACE	10.8%	24.4%
3	GBST WEALTH MANAGEMENT	ANCHORAGE CAPITAL PARTNERS FUND III	FINANCIAL SERVICES TECHNOLOGY PROVIDER TO THE GLOBAL WEALTH MARKET	10.3%	34.7%
4	MEDTECH	ADVENT PARTNERS 2 FUND	PROVIDER OF PRACTICE MANAGEMENT SOFTWARE	7.5%	42.2%
5	IMAGING ASSOCIATES GROUP	ADVENT PARTNERS 2 FUND	DIAGNOSTIC IMAGING SERVICE PROVIDER	6.0%	48.1%
6	GULL NEW ZEALAND	CO-INVEST NO.1	NEW ZEALAND PETROLEUM DISTRIBUTION COMPANY AND PETROL STATION CHAIN	4.7%	52.8%
7	ASKIN PANELS	GROWTH FUND III	MANUFACTURER AND INSTALLER OF INSULATED PANELS	4.1%	56.9%
8	PAC TRADING	CO-INVEST NO.6	SUPPLIER OF SUSTAINABLE PACKAGING SOLUTIONS	3.0%	59.9%
9	ZERO LATENCY	ADVENT PARTNERS 2 FUND	VIRTUAL REALITY GAMING ATTRACTION	2.8%	62.6%
10	FLINTFOX	ADVENT PARTNERS 2 FUND	DEVELOPER OF TRADE REVENUE MANAGEMENT SOFTWARE	2.7%	65.3%

1. As the divestment of Compass Education had been announced but not completed at 31 December 2024, VPESO maintained exposure to the asset at period end and is reflected in the top 10 holding count.



SECONDARY PRIVATE EQUITY PORTFOLIO

INDUSTRY DIVERSIFICATION OF PORTFOLIO

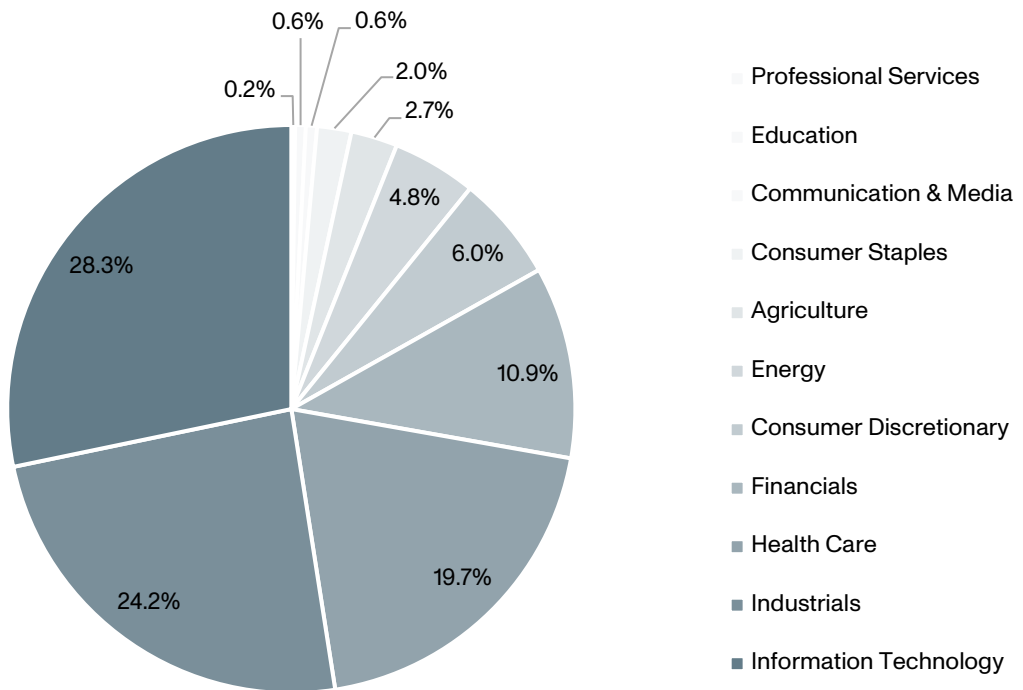


Image: Industry diversification of VPESO's portfolio at period end 31 December 2024. Key is in ascending order.

PORTFOLIO ACTIVITY





PORTFOLIO ACTIVITY

The December quarter saw strong levels of activity in the lower to mid-market private equity segment. Investor appetite remained robust, with strategic acquirers and financial sponsors actively pursuing opportunities in resilient, high-growth sectors across Australia and New Zealand.

This strong momentum saw three new investments added to VPESO's portfolio, six companies sold from the portfolio and one additional exit announced and completed post quarter end. As a result, VPESO's portfolio had invested in 113 unique company investments of which 22 had been sold at December quarter end.

OVERVIEW OF ANNOUNCED EXITS



DELTA AGRIBUSINESS – ODYSSEY PRIVATE EQUITY FUND 8 – VPEG3

During November 2024, **Odyssey Private Equity Fund 8** announced the sale of **Delta Agribusiness** to **Elders Limited (ASX: ELD)**, for a media reported \$475 million. Elders is an Australian agribusiness providing agriculture goods and services to primary producers in Australia.

Odyssey Private Equity acquired Delta in April 2019 seeing an opportunity to build a leading independent agribusiness, diversified by region and services, and consolidate a fragmented industry. Across Odyssey's investment, management successfully grew the business through a greenfield and brownfield expansion strategy, targeting key farming regions in Australia to build scale and diversify climate risk, as well as launching its own private label product offering.

Odyssey also successfully executed a number of accretive bolt-on acquisitions. This included NWAG in Victoria (2019), Aglink and Acquire Rural Holdings (DGA) in Western Australia (2021), and Cox Rural in South Australia (2022). Management successfully transformed Delta into Australia's leading provider of rural products and advisory services operating a network of 68 locations with ~40 independent wholesale customers.

Upon completion of the sale which is expected in Q1 CY25 (post Australian Competition and Consumer Commission approval), the exit will deliver Odyssey Fund 8 and its investors, including VPESO a significant return on investment across a 5.5 year hold period.



COMPLETED EXIT – FLINTFOX INTERNATIONAL – ADVENT PARTNERS 2 FUND & VPEG3

During December 2024, **Advent Partners 2 Fund** completed the exit of **Flintfox** to **Enable Global Inc.** ("Enable"), for a media reported +\$150 million. Enable is a provider of rebate and incentive management software located in San Francisco.

Advent invested in Flintfox in June 2020 with the vision of scaling the business globally. At the time of investment, key priorities included strengthening the executive team, enhancing the global brand profile, expanding connectivity with ERP vendors, and refining the go-to-market strategy.

Over the course of Advents ownership, management executed a focused go-to-market strategy while transitioning to a new C-suite leadership team. The company also enhanced its brand profile through thought leadership, industry events, and a comprehensive brand refresh. To expand its total addressable market, Flintfox developed integrations with the SAP ecosystem, unlocking access to SAP's enterprise customer base. In April 2023, management sold its North American systems integration business, Flintech, to focus specifically on its core software offering.

Advent successfully transformed Flintfox into the leading provider of intelligent pricing solutions and services for large enterprise customers around the globe. The exit delivered Advent Partners 2 Fund and its investors, including VPESO, with a strong return on investment across a 4.5 year hold period.



COMPLETED EXIT – PLAN B – GROWTH FUND III

During December 2024, **Growth Fund III** announced the sale of its interest in **Plan B**, a provider of managed cloud, communications and colocation services to businesses in New Zealand and Australia. Plan B had been a challenging asset for the Growth Fund, with business sold for a nominal value. When acquiring the Growth Fund III interest, Vantage factored this into our valuation, highlighting the benefits of secondary transactions in mitigating blind pool risk. As such, the sale had no impact on returns for VPESO investors.



PORTFOLIO ACTIVITY

ANNOUNCED EXIT – LINEN SERVICES



AUSTRALIA ADAMANTEM CAPITAL FUND II – VPEG4

During the quarter, **Adamantem Capital Fund II** (“Adamantem Fund II”) announced the sale of portfolio company **Linen Services Australia** (“LSA”) to Macquarie Asset Management (“MAM”), a top 50 global asset manager.

LSA is a provider of linen and garment laundry services to ~3,500 customers across ANZ. It is a market leader in outsourced laundry services for customers across healthcare, aged care, manufacturing, hospitality and food industries.

Adamantem Fund II invested into LSA in March 2021, and the investment thesis was centred around bringing focus to a market leading business with a strong competitive advantage, that had been under-managed as a non-core division within a larger conglomerate.

The strategy included productivity improvements, cost controls and sales pipeline management, and improving the businesses’ return on assets.

The exit of LSA is subject to customary regulatory approvals and conditions, with completion of the transaction expected in 1H CY25. Upon receipt of the exit proceeds from Adamantem Fund II, a distribution will be paid to VPESO investors, further increasing the Fund’s Distributed to Paid In (DPI) multiple and annualised return.

COMPLETED EXIT – DIRECT GROUP CPE CAPITAL 9 – VPEG4



During the quarter, **CPE Capital 9** exited its stake in **Direct Group** to management. Having explored a range of alternatives with the company’s stakeholders, CPE Capital concluded it would be in investors’ best interest to exit the business at nominal value. Whilst this was a disappointing result, the business had been experiencing headwinds for a while and was held at nominal value.

As such, the exit had no further impact on VPESO’s NAV and will have a minimal impact on returns given the investment will likely account for less than 0.1% of the Fund’s committed capital.

COMPLETED EXIT – INTER HEALTHCARE NEXT CAPITAL FUND IV – VPEG3



Next Capital Fund IV exited its holding in **Inter Healthcare** through a sale to Healthia and Abundant Health. After careful consideration, Next Capital concluded that exiting the business at nominal value was the best course of action for investors. The business had been marked at nominal value for an extended period of time and has no further impact on NAV. The business accounted for less than 0.6% of the Fund’s committed capital and had a negligible impact on returns, highlighting the importance of a diversified fund-of-funds approach to investing in private equity.

ANNOUNCED EXIT POST QUARTER – MEDTECH - ADVENT PARTNERS 2 FUND – VPEG3



Following the December quarter end, **Advent Partners 2** management also completed the sale of underlying portfolio company **Medtech** to **Banyan Software**, a global acquirer of enterprise software businesses.

Advent acquired Medtech in June 2020 with a vision of establishing an Australian and New Zealand leader in practice management software for General Practice (GP), specialist and allied health practice sector.

Across Advent’s ownership, management executed on a number of initiatives, which included:

- Doubling earnings through focused investment in a go-to-market strategy and disciplined cost management initiatives;
- Built out the executive team with the appointment of a new CFO, Chief Information Officer, GM People & Culture, and General Manager of Integration and Infrastructure;
- Expanded the total addressable market and growth runway by launching an integrated payments solution and an integration layer to monetise third-party integrations;
- Migrated practices to Medtech’s flagship Evolution product from the legacy Medtech32 product; and
- Significantly improved the employee Net Promoter Score

The exit delivered Advent Partners 2 Fund and its investors, including VPESO, with a strong return on investment across a 4.6 year hold period.



PORTFOLIO ACTIVITY

PORTFOLIO ACTIVITY

The majority of VPESO's underlying investments maintained their valuations across the December quarter. A notable exception was Advent Partners 2 Fund which experienced a significant uplift in valuation.

Advent Partners 2 Fund underlying portfolio companies MedTech, Flintfox International and Imaging Associates Australia experienced strong valuation uplifts across the quarter as they each were positioned for an exit. Advent Partners continue to successfully execute their growth investing playbook with a focus on go-to-market strategies and disciplined cost management leading to sustainable long-term value creation.

Turning to new investments, during the quarter, three new underlying investments were added to the portfolio. An overview of the new investments added to VPESO's portfolio follows:

STORYPARK – POTENTIA FUND II – VPEG4

During October 2024, VPEG4 investee, **Potentia Capital Fund II** completed an investment in **Storypark**, a provider of software to the early childhood education sector in Australia, New Zealand and Canada.

Founded in 2011, Storypark is a secure platform that provides insights into a child's day, feedback on their learning and information about the centre. Storypark enables centres to manage their operations effectively, including supporting regulatory requirements, lesson planning, curriculum integration, educator evaluation and data-informed decision making.

Potentia's investment into Storypark represents an attractive opportunity to acquire a market leading platform asset within the highly fragmented early childhood education software sector. Storypark is an attractive asset due to its modern, customer-centric product and strong SaaS metrics.

MASON STEVENS – ADAMANTEM CAPITAL FUND II – VPEG4



During November 2024, VPEG4 investee, **Adamantem Capital Fund II** acquired **Mason Stevens**, a leading wealth management platform.

Founded in 2010, Mason Stevens is a specialist wealth management platform and investment services provider catering to financial advisers and wealth practices. Mason Stevens' wealth platform enables advisers to efficiently manage investments for their clients, with a particular focus on delivering tailored and differentiated investment solutions aimed at high-net-worth individuals.

Mason Stevens is well-positioned in the growing financial advice market, targeting an attractive and high growth segment with the business' scalable digital platform and unique value proposition providing differentiated investment solutions for its core customers.

Adamantem view Mason Stevens as a compelling opportunity to invest in a growing platform with genuine competitive differentiation in the high-net-worth financial advice segment.

BRITISH SAUSAGE COMPANY – CPE CAPITAL 9 – VPEG4



During November 2024, VPEG4 investee, **CPE Capital 9** completed the acquisition of the **British Sausage Company (Australian British Food "ABF")**, a leading manufacturer of fresh sausages, burgers, smallgoods and value-added meat products.

Founded in 1991, the ABF employs over 300 staff across five production facilities in WA, NSW and QLD. Customers include nationwide supermarkets such as Coles, Woolworths and Aldi, as well as independent grocers and foodservice companies.

ABF emphasises its commitment to quality by using fresh, locally sourced ingredients combined with traditional recipes and techniques. This dedication has led to the creation of award-winning products that have gained popularity across Australia.



PORTFOLIO ACTIVITY

BOLT-ON ACQUISITIONS COMPLETED

During the quarter, VPESO's underlying managers remained focused on executing their value creation strategies across their portfolios. This saw six underlying portfolio companies complete seven strategic bolt-on acquisitions to further boost revenue and earnings of these businesses.

VPEG3 investee **Next Capital Fund IV** portfolio company **Silverchef** completed the bolt-on acquisition of **Accurate**, a Canadian asset management and refurbishment business to the hospitality sector. This acquisition further expands SilverChef's strategic entry into the Canadian and US markets.

Additionally, VPEG3 investee and **Advent Partners 2** portfolio company, **Imaging Associates Group (IAG)**, completed the bolt-on acquisition of **Balaclava Radiology**, a significant clinic in southeast Melbourne. The acquisition enhances IAG's profitability by increasing its service offerings and patient volumes across its clinic network.

VPEG4 investee, **Anchorage Capital Fund IV** portfolio company, **Access Community Health** completed the acquisition of a highly complementary business in New Zealand during November 2024. '**Focus on Potential**' is a leading provider of in-home rehabilitation, psychology and assessment services in New Zealand. Management are now focused on completing the integration, with several additional acquisition opportunities also under review.

Finally, **Genesis Capital Fund I** completed a number of additional bolt-on acquisitions across its portfolio of companies. **Therapy Pro** completed the acquisition of **Tashacare**, an NDIS-registered allied health company to bolster Therapy Pro's presence in Victoria. **Impression Dental Group** acquired Melbourne-based **Complete Dental Care**, further expanding its dental practice in Victoria. Finally, **Southern Cross Support Services**, successfully completed 2 bolt-on acquisitions of an NDIS business based in Queensland and a nursing business based in Victoria.

As VPESO matures, it is expected that the number of underlying portfolio exits will significantly increase over the next six to twelve months as private equity managers engage sell side advisors and commence sale processes, further delivering strong returns to VPESO and its investors.

MARKET INSIGHTS





MARKET INSIGHTS

MACROECONOMIC INSIGHTS

The Australian lower to mid-market private equity segment continues to show strong resilience and is well positioned for increased deal activity as we progress through Q1 and into 2025.

At a macro level, 2024 saw a more challenging economic environment driven by modest growth, lingering inflation (fed by high government expenditure) and persistently high interest rates. However, key economic indicators point to more favourable economic conditions in 2025, with core inflation data trending downwards and interest rate relief expected towards the end of this quarter or early next.

Despite geopolitical uncertainty overseas, both Australia and NZ have managed to avoid the rise of populist politics and swings to the far right which have become prevalent in both the US and several European countries. Importantly, Australia runs a trade deficit with the US and is therefore unlikely to be a direct target of Trump's tariffs. While action against China, Australia's largest trading partner, will likely have flow on effects, this is more likely to impact larger, more commodity-linked and export-led businesses that don't sit within Vantage's focus of the lower to mid-market segment.

Recent commentary from M&A market participants suggests a greater convergence on valuation between buyers and sellers. This follows the previous misalignment experienced through most of 2024 which saw prolonged transaction timelines, and in some instances failed sale processes. As such, there remains a large backlog of deals which, with debt markets remaining highly supportive, should see heightened deal activity through the year.

Vantage's managers and their respective portfolio companies are well placed to benefit from these key themes playing out through 2025.

A more stable and positive operating environment should allow for greater conviction in pursuing new growth initiatives to help drive value creation across the portfolio. While from an exit perspective, the prospect of cheaper debt financing, continued interest from both domestic and offshore trade, as well as large buyout funds as they

seek to deploy record amounts of capital, should see strong demand for high-quality mid-market businesses.

Vantage's funds and their underlying managers continue to focus on businesses that demonstrate highly defensive characteristics, with proven B2B revenue models, strong customer retention and pricing power.

New investment activity has been focused on the software & IT, healthcare and business services sectors, with very few new retail investments given the challenging consumer backdrop and pull back in discretionary spending.

Overall, 2025 is shaping up to be a strong year for the lower to mid-market segment, across Australia and New Zealand. Improving economic conditions, an increasing pipeline of high-quality opportunities, and greater appetite from both buyer and sellers should see strong growth on what has been a solid December quarter.

Q2 FY2025 SECONDARIES INSIGHTS

From a secondaries perspective, the market continues to gain strong momentum with the December quarter rounding out a record year of deal activity which saw \$165bn worth of deals completed globally, up 40% on prior year.

Key themes, that are consistent with prior quarters, continue to provide strong foundations for secondaries deal activity. The prolonged and / or failed sale processes previously mentioned has meant some funds have continued to struggle to return capital to investors. This has been particularly true for managers within the upper mid-market and large buyout segments given their greater use of leverage and increased sensitivity to higher interest rates, alongside the IPO markets remaining shut. This coupled with the wave of new secondary fundraises and rise of evergreen structures has seen secondaries funds keen to deploy capital at increasingly competitive pricing vs prior periods.

The emergence of Continuation Vehicles (CV) has become a recurring theme each quarter and now account for ~50% of supply in the secondary market.



MARKET INSIGHTS

This is underpinned by private equity managers seeking to hold their trophy assets for longer, alongside the growing acceptance from LPs around CVs being a viable exit route. In contrast to LP-led deals, CVs are relatively undercapitalised, with this an increasingly exciting area of the secondaries market as it continues to mature.

Pricing for LP-led secondaries has continued to increase with average pricing for buyout funds at 95% of NAV (~100bps increase vs. last quarter) and average pricing for growth capital at 88% of NAV (~400bps increase vs. last quarter). As noted last quarter, the influx of retail capital into evergreen funds has led to inflated LP-led pricing due to capital deployment pressures and lower cost of capital thresholds. Our focus to date continues to be on careful deployment, sticking to our investment strategy of exclusively focusing on Australian and New Zealand private equity secondaries.

During the quarter, Vantage had positive discussions with advisors and LPs looking to rebalance their private equity allocations. We expect a number of processes to kick off in H1 this year for which Vantage will have a strong competitive advantage in pricing the Australian and New Zealand private equity lines. Additionally, with private equity fund managers looking to raise new funds in 2025, we expect a number of LPs will have difficulty re-upping amidst historically low levels of DPI. We believe this will present a compelling opportunity to purchase LP stakes at attractive valuations. This is particularly true amongst institutional investors who are keen to ensure continuity of relationship and not miss out on a new vintage.

Vantage is well placed to be the liquidity provider of choice for GPs given we are one of the largest investors into the Australian and New Zealand private equity mid-market. Here, Vantage has pre-existing knowledge of most private equity funds. This allows Vantage to move quickly and price efficiently, helping maximise value for the selling LP. In addition, GPs typically seek to retain a tight, well-vetted base of trusted investors and avoid broadcasting sensitive information to the market where possible. All of these reasons give Vantage a structural advantage for secondary transactions within the lower to mid-market private equity segment in Australia and New Zealand.

DIRECTORY

CONTACT DETAILS

The Vantage Private Equity Secondaries Opportunities Fund
Level 33, Aurora Place
88 Phillip Street
Sydney, New South Wales 2000 Australia

TRUSTEE & INVESTMENT MANAGER

Trustee: Vantage Asset Services Pty Limited
ACN: 651 345 292
Authorised Representative No. 001290874
Manager: Vantage Asset Management Pty Limited
ACN: 109 671 123
Australian Financial Services Licence: 279186
Managing Director - Michael Tobin
Phone: +61 2 9067 3133
Email: info@vantageasset.com
Website: www.vantageasset.com

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.



VANTAGE ASSET MANAGEMENT

