

# QUARTERLY REPORT

# VANTAGE PRIVATE EQUITY SECONDARIES OPPORTUNITIES FUND

QUARTERLY INVESTOR REPORT  
31 DECEMBER 2023



**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.

As at 31 December 2023, a total of \$33,384,471 of the Fund's capital had been utilised to acquire interests in Advent Partners 2, Anchorage Capital Partners Fund III, Growth Fund III, Vantage Private Equity Growth 3, Vantage Private Equity Growth 4 and Genesis Capital Fund I. VPESO also has completed three co-investments, which include \$2 million to each of Gull New Zealand, alongside Allegro Fund IV, and Compare Club, alongside Next Capital Fund IV, and a \$1 million co-investment in Pac Trading, alongside the Adamantem Environmental Opportunities Fund. As a result, VPESO ultimately held interests and commitments in 104 unique underlying company investments at quarter end.

1. Excludes underlying portfolio companies in VPEG2B which in total represent less than 0.1% of VPESO's total investment portfolio

## SPECIAL POINTS OF INTEREST

*Wesfarmers Limited (WES.ASX) completes the acquisition of Advent Partners 2 (and VPEG3 investee) portfolio company, SILK Laser Clinics Limited (SLA.ASX), via a Scheme of Arrangement, facilitating the final sale of the residual shares held by Advent in SILK*

*VPEG4 Investee Riverside Australia Fund III announces the sale of Energy Exemplar to global private equity firms Blackstone and Vista Equity Partners for a media-reported \$1.6 billion, one of 2023's largest M&A transactions*

*Three new underlying portfolio companies added to VPESO's portfolio during the quarter, bringing VPESO's portfolio to a total of 104 unique underlying company investments*

*VPESO maintains its strong performance as the portfolio continues to mature, with the Fund delivering a net of fees annual return of 13.4% p.a. since inception to 31 December 2023*

# PERFORMANCE

During the period 1 October 2023 to 31 December 2023, VPESO continued the build-out of its secondary private equity portfolio, completing a number of additional secondary acquisitions totalling \$1.6 million in investment commitments in existing holdings across the period.

Drawdowns during the quarter from VPESO, totalling \$1,104,126 were paid to acquire the assets from exiting investors in Genesis Capital Fund I, Vantage Private Equity Growth 3 and Vantage Private Equity Growth 4, as well as to meet the capital calls by Genesis Capital Fund I and Vantage Private Equity Growth 4. A majority of the capital paid by the Fund during the quarter was for the secondary acquisitions of VPEG3 and VPEG4, as well as for the new acquisition completed by Genesis Capital Fund I of Southern Cross Support Services. The remaining capital was called to fund management fees and working capital requirements of underlying funds throughout the period.

During the quarter, VPESO received distributions totalling \$1,805,638 from the following funds and co-investment;

- Advent Partners 2 Fund, due to the final sale of shares in previously exited, now ASX listed portfolio company SILK Laser Clinics Australia, following the successful completion of the Scheme of Agreement acquisition by ASX listed Wesfarmers Limited;
- Vantage Private Equity Growth 3, following the receipt of the proceeds of the sale of SILK Laser Clinics, from VPEG3, LP and the net taxable income of VPESO's holding in VPEG3A for the period ended 30 June 2023, and;
- Co-investment No.1 Gull New Zealand, as a result of further distributions received from Gull NZ due to the continued strong performance of that investment.

The table below provides a summary of the performance of the Fund's portfolio during the December 2023 quarter. Across the quarter VPESO's Net Asset Value reduced from \$1.303 per Unit at 30 September 2023 to \$1.262 as at 31 December 2023 due to the \$0.057 per Unit distribution (totalling \$1,347,408) paid in October 2023 to all Unitholders on the register as at 30 June 2023, representing the Net Profit per Unit of VPESO for FY23. After allowing for this distribution, VPESO's Net Asset Value actually increased by 1.23% across the quarter as a result of a net increase in the holding value of portfolio companies across the quarter. A summary of VPESO's performance since inception to 31 December 2023, is provided in the table below.

VPESO Performance	1 mth	3 mth	6 mth	1 yr	Total Gain Since Inception	IRR Since Inception p.a.	Inception date	Net Asset Value
<b>as at 31-Dec-23</b>	0.32%	1.23%	9.28%	9.83%	34.90%	13.38%	27-Jul-21	\$1.262

Note; Performance returns detailed above are net of all fees.

# PORTFOLIO DEVELOPMENTS

During the December 2023 quarter, there was an elevated level of M&A activity in the Australian Lower to Middle Market segment, which saw the final sale of the remaining shares held in one previously exited and ASX listed portfolio company as well as the announcement of another additional exit from the portfolio. In addition, there were three new underlying portfolio companies added to the portfolio across the quarter.

The two completed and announced exits from VPESO's underlying portfolio included;

- The successful completion of the Scheme of Arrangement entered between Advent Partner 2 (AP2) (and VPEG3 investee) portfolio company SILK Laser Clinics Limited (SLA.ASX) and Wesfarmers Limited (WES.ASX) was completed, facilitating the final sale of shares held by AP2 in that company and;
- The announcement of the VPEG4's first portfolio company exit, completed by VPEG4 investee Riverside Australia Fund III of portfolio company Energy Exemplar, by way of a secondary sale process to global private equity firms Blackstone and Vista Equity Partners for a media-reported \$1.6 billion.

The three new underlying company investments added to the portfolio included;

- Genesis Capital Fund I completed the acquisition of Southern Cross Support Services, a leading NDIS and child youth protection service provider across regional Queensland.
- VPEG4 investee Advent Partners 3 Fund completed an investment in RMS Cloud, a leading cloud-based SaaS Property Management Software (PMS) provider for the accommodation sector, including serviced apartments, campgrounds & parks, hotels, motels and other lodging forms.
- VPEG4 investee Advent Partners 3 Fund also completed the investment of MySite, a leading global provider of SaaS solutions for community and stakeholder engagement, whose clients include government entities, consultants and corporate organisations to effectively engage and manage stakeholders in Australia, North America and UK/Europe.

As a result of the activity across the December 2023 quarter, VPESO had ultimately invested in 104 unique underlying company investments with 12 exits completed (partially or fully realised) from the underlying funds.

VPESO's investment team is conducting early-stage due diligence on several active opportunities that align with the Fund's investment mandate. If successful in acquiring these secondary opportunities, the investment portfolio will further grow as additional transactions are completed across the next 6 to 12 months.

# OVERVIEW OF RECENTLY ANNOUNCED EXIT

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## ENERGY EXEMPLAR – VPEG4 INVESTEE RIVERSIDE AUSTRALIA FUND III (RAF III)

In November 2023, Riverside Australia Fund III (RAF III) announced the 100% sale of Energy Exemplar by way of a secondary sale to global private equity firms Blackstone and Vista Equity Partners for a media reported \$1.6 billion, making it one of Australia's largest M&A transactions of 2023.



Under the stewardship of RAF III, Energy Exemplar experienced substantial growth from around 70 employees and \$20 million in revenue, to over 600 employees and a revenue of over \$150 million. Energy Exemplar's solutions now offer best-in-class functionality, allowing users to model and understand the increasingly complex energy transition landscape in a single unified platform. Across RAF III's ownership the platform has grown at 30% CAGR and currently serves over 500 customers in 79 countries.

As the company sought an optimal financial sponsor to propel it to the next stage of development, Energy Exemplar's exit stands as a significant milestone as the first exit from the portfolios of RAF III and VPEG4. Not only does it place the company among Australia's largest M&A transactions, but it also represents a noteworthy triumph for VPEG4 investee Riverside Australia.

Completion of the exit will occur on final approval from the Foreign Investment Review Board (FIRB), anticipated to occur during March 2024.

Once completed, the exit will deliver RAF III and VPEG4 with a strong top quartile return across a 2.1 year investment hold period, with a distribution anticipated to be paid to VPEG4 investors, and ultimately VPESO, following the receipt of the net sale proceeds from RAF III.

## OVERVIEW OF NEW UNDERLYING INVESTMENTS

### SOUTHERN CROSS SUPPORT SERVICES – GENESIS CAPITAL FUND I

In October 2023, Genesis Capital Fund I, completed the acquisition of Southern Cross Support Services, a leading NDIS and child youth protection service provider across regional Queensland.



Southern Cross Support Services operates four main business units: NDIS (supported independent living (SIL) and community access support (CAS)), child youth protection, NDIS support coordination, and NDIS plan management. The business operates in regional QLD, with strong barriers to entry and a diversified revenue stream across two funding areas and four different services, including family, disability and aged care.

### RMS CLOUD – VPEG4 INVESTEE ADVENT PARTNERS 3 FUND

In December 2023, VPEG4 investee Advent Partners 3 Fund completed an investment into RMS Cloud, a leading provider of cloud-based SaaS Property Management Software (PMS) for the accommodation sector, including serviced apartments, campgrounds & parks, hotels, motels and other lodging forms.



Founded in 1983, RMS offers an all-in-one PMS solution with a suite of features, including bookings, reservation management, marketing, channel management, housekeeping, back office and compliance reporting. Recently, RMS launched a payment processing service “RMS Pay” to monetise the AUD\$7 billion of gross transaction value from its existing customer base. RMS has c.160 staff and is headquartered in Melbourne, Australia.

Advent’s investment thesis is focused on;

1. Supporting the go-to-market in international markets
2. Accelerating the penetration of RMS pay in the existing customer base
3. Continuing to invest in the product to build the platform’s functionality advantage,
4. Building back-office capabilities
5. Retaining and attracting management talent to support growth and eventual exit.

### MYSITE – VPEG4 INVESTEE ADVENT PARTNERS 3 FUND

Also during December 2023, VPEG4 investee Advent Partner 3 Fund completed an investment in MySite, a leading global provider of SaaS solutions for community and stakeholder engagement. Mysite’s products are used by governments, consultants, and corporate organisations in Australia, North America and UK/ Europe, to effectively engage communities and manage stakeholders.



Established in 2003, MySite has expanded significantly via organic growth and acquisitions. It now operates internationally and offers two key products, Social Pinpoint, a Community Engagement (‘CE’) software solution and Consultation Manager, a Stakeholder Relationship Management (‘SRM’) software solution. The Business has ~75 staff and is headquartered in Brisbane, Australia.

Advent's investment thesis will focus on five key areas

1. Accelerating growth in core markets,
2. Improving go-to-market strategy to allow efficient scaling,
3. Acquiring complimentary platforms to expand Mysite's footprint and product portfolio,
4. Continuing to invest in the product, and
5. Retaining and attracting management talent and augmenting systems to enable the business to scale.

## PORTFOLIO STRUCTURE

### VPESO's PORTFOLIO STRUCTURE - 31 DECEMBER 2023

The tables and charts below provide information on the breakdown of VPESO's investments as at 31 December 2023.

#### CURRENT INVESTMENT ALLOCATION

The following tables provide the percentage split of each of the VPESO 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	
0.0%	7.5%	Later Expansion	45.0%
		Buyout	47.5%

## PRIVATE EQUITY PORTFOLIO

VPESO, with commitments to four direct Private Equity funds, two fund of funds and three co-investments, has ultimately committed to and invested in 104 underlying company investments at quarter end, with eleven exits completed to date. As a result, VPESO's Private Equity portfolio and commitments, as at 31 December 2023, were as follows;

Acquisition	Fund Size	Vintage Year	Investment Focus	VPESO Acquired Commitment	Paid-in Capital	Total No. of Investee Companies	No. of Exits
<b>Advent Partners 2 Fund</b>	\$300m	2017	Mid Market Expansion / Buyout	\$10.0m	\$9.33m	7	1
<b>Anchorage Capital Partners Fund III</b>	\$360m	2017	Mid Market Expansion / Buyout	\$5.0m	\$4.94m	5	2
<b>Vantage Private Equity Growth 3</b>	\$67.5m	2019	Fund of Funds - Lower to Mid Market Growth / Buyout / Turnaround	\$6.70m	\$5.34m	50	10
<b>Genesis Capital Fund I</b>	\$190m	2020	Lower to Mid Market Growth / Buyout	\$1.10m	\$0.64m	8	-
<b>The Growth Fund III</b>	\$450m	2017	Mid Market Expansion / Buyout	\$6.00m	\$5.38m	12	1
<b>Vantage Private Equity Growth 4</b>	\$180m	2021	Fund of Funds - Lower to Mid Market Growth / Buyout / Turnaround	\$1.10m	\$0.62m	31	1
<b>Co-invest No. 1 (Gull New Zealand)</b>	\$500m	2022	Mid Market Special Situations	\$2.00m	\$2.00m	1	-
<b>Co-invest No. 2 (Compare Club)</b>	\$62m	2022	Lower to Mid Market Growth Capital / Buyout	\$2.00m	\$2.00m	1	-
<b>Co-invest No. 3 (Pac Trading)</b>	\$71m	2023	Lower to Mid Market Growth Capital / Buyout	\$1.00m	\$1.02m	1	-
			<b>Total<sup>2</sup></b>	<b>\$34.90m</b>	<b>\$31.27m</b>	<b>104</b>	<b>12</b>

Note; Total No. of Investee Companies and No. of Exits excludes duplicates.

<sup>2</sup>Excludes small holdings acquired for less than \$50k each of VPEG2B and Catalyst Buyout Fund 2

## SUMMARY OF VPESO'S UNDERLYING PRIVATE EQUITY INVESTMENTS

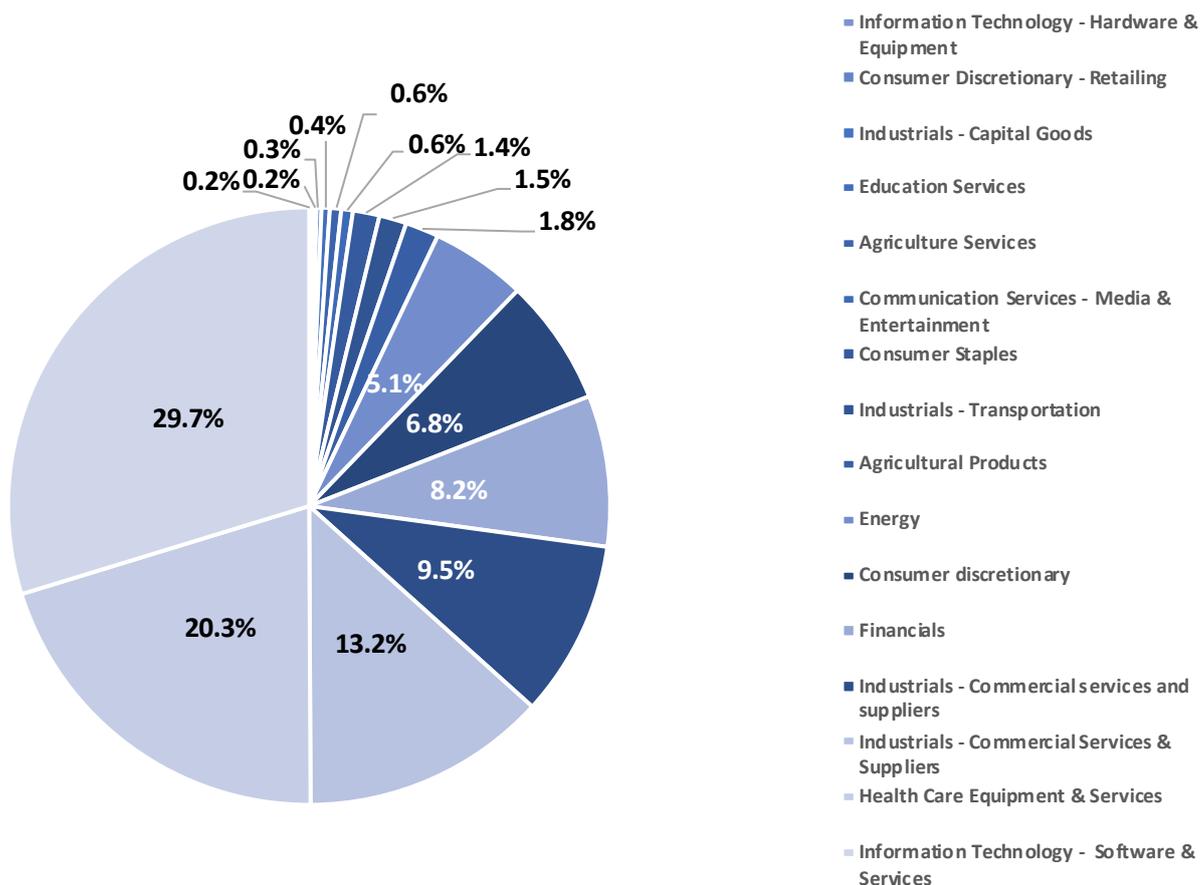
The table below provides a summary of the top ten underlying private equity investments in VPESO's portfolio for which capital had been called from VPESO as at 31 December 2023.

Rank	Underlying Investment	Fund	Description	% of VPESO's Private Equity Investments	Cumulative %
1	<b>Fitness Passport</b>	Growth Fund III	Fitness program provider	10.0%	10.0%
2	<b>Compass Education</b>	Advent Partners 2 Fund	Student Information System Software / Services Provider	8.9%	18.9%
3	<b>Medtech</b>	Advent Partners 2 Fund	Provider of Practice Management Software	8.4%	27.3%
4	<b>Compare Club</b>	Co-investment No.2	Personal finance marketplace	8.1%	35.4%
5	<b>GBST Wealth Management</b>	Anchorage Capital Partners Fund III	Financial services technology provider to the global wealth market	5.9%	41.3%
6	<b>Imaging Associates Group</b>	Advent Partners 2 Fund	Diagnostic Imaging Service Provider	5.7%	47.0%
7	<b>Askin Panels</b>	Growth Fund III	Manufacturer and installer of insulated panels	5.6%	52.6%
8	<b>Gull New Zealand</b>	Co-investment No.1	New Zealand petroleum distribution company and petrol station chain.	5.1%	57.7%
9	<b>Flintfox</b>	Advent Partners 2 Fund	Developer of Trade Revenue Management Software	4.5%	62.2%
10	<b>Zero Latency</b>	Advent Partners 2 Fund	Virtual Reality Gaming Attraction	4.1%	66.3%

## INDUSTRY SPREAD OF VPESO'S UNDERLYING INVESTMENTS

The chart below provides a breakdown of the industry spread of VPESO's underlying portfolio as at 31 December 2023.

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 29.7% of VPESO's total portfolio at quarter end.



Note; Table legend is in order of smallest to largest category value as at 31 December 2023.

# MARKET & ECONOMIC UPDATE

The economic landscape in the concluding quarter of 2023 exhibited a substantial amelioration of inflationary pressures, defying earlier market projections. Both the quarter-on-quarter (q/q) and year-on-year (y/y) headline inflation rates stood at 0.6% and 4.1%, respectively, significantly below the market's prior expectations. The Reserve Bank of Australia's (RBA) favoured metric for underlying inflation, the trimmed mean, mirrored this trend, decelerating to 0.8% q/q, surpassing both RBA predictions and broader market expectations.

## Services and Goods Prices:

Delving deeper into sectoral dynamics, domestic market services prices reflected a discernible deceleration, indicating not only weakened demand but also a slowdown in wage cost growth. Concurrently, tradables prices, excluding fuel, fruit, and vegetables, experienced a marked decline, with consumer durable goods prices notably affected.

## Inflation Breadth Measures:

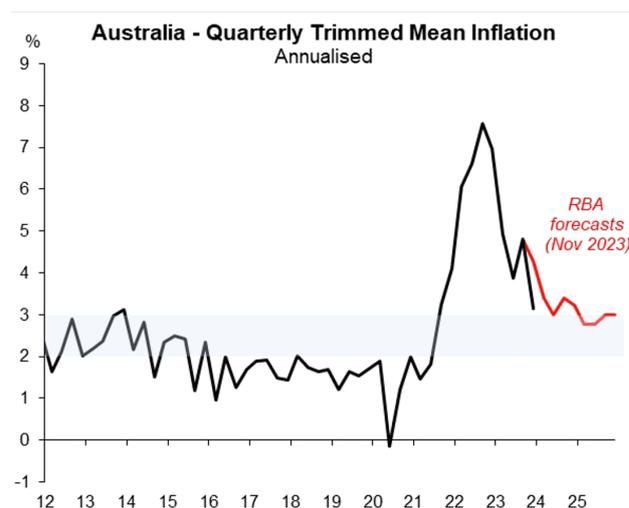
While certain inflation breadth measures exhibited signs of improvement, the distribution of price increases remained skewed. A substantial share of items recorded increases exceeding 3%, painting a nuanced picture of inflationary dynamics.

## Sector-Specific Insights:

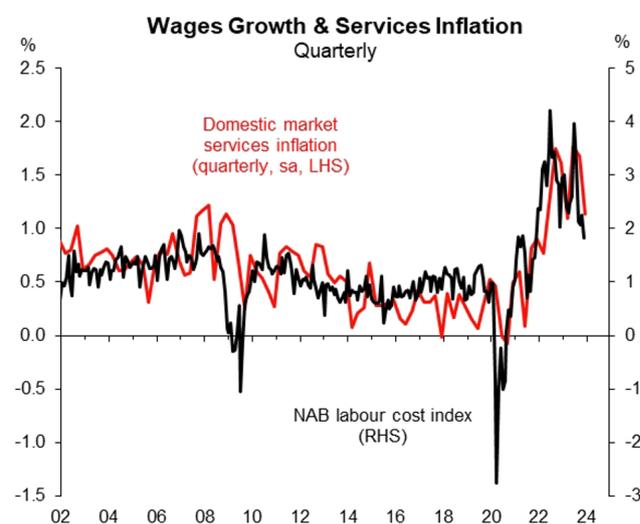
Within the domain of domestic market services prices, a substantial easing was observed, primarily propelled by a slowdown in the growth of meals out and takeaway food. Insurance and financial services, on the other hand, displayed a solid uptick, attributed to rising insurance fees, particularly in categories like motor vehicle, house, and home contents insurance. Consumer durables inflation witnessed its most significant decline in over a decade, marked by noteworthy price reductions in furniture, household appliances, and clothing & footwear.

New motor vehicle prices seemed to have reached a peak, while international holiday travel and accommodation prices experienced a decline. Simultaneously, domestic holiday travel and accommodation prices registered a third consecutive quarterly decrease.

Healthcare prices demonstrated an upward trajectory, driven by increases in health insurance premiums. This was partially offset by lower pharmaceutical prices, resulting from an increase in the share of consumers qualifying for subsidies under the Pharmaceutical Benefits Scheme. Electricity and gas prices displayed mixed



Source: ABS, NAB, RBA, Macrobond, Macquarie Macro Strategy



Source: ABS, NAB, RBA, Macrobond, Macquarie Macro Strategy

trends, with electricity prices witnessing a substantial year-on-year increase.

In the realm of housing inflation, focusing on rents and new dwelling purchase prices, there was a moderation primarily due to a decline in rents inflation. In contrast, new dwelling purchase price inflation continued its upward trajectory, driven by the ongoing pass-through of labour and material costs.

### **Australia and New Zealand Private Equity Activity**

Against this economic backdrop, the private equity landscape witnessed noteworthy activity in the December 2023 quarter. Seven acquisitions and eight exits were announced or completed across diverse sectors, including business services, real estate, and software. Despite economic uncertainties affecting deal activity in 2023, as evidenced by bid-ask spreads and higher funding costs, there is a palpable shift as market confidence grows with stabilised inflation.

Anticipations for heightened deal activity in 2024 are rooted in equity markets pricing in a soft landing, open credit markets, and businesses becoming more assessable, fostering a favourable deal environment. Forecasts indicate a potential surge in secondary transactions as a backlog of private equity assets are expected to enter the market. Additionally, the latter half of 2024 may witness an increase in sponsor-backed Initial Public Offerings (IPOs) if the IPO market presents favourable conditions.

## CONTACT DETAILS

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