

QUARTERLY REPORT

VANTAGE PRIVATE EQUITY SECONDARIES OPPORTUNITIES FUND

QUARTERLY INVESTOR REPORT
31 DECEMBER 2022



VPESO - DIVERSIFY. GROW. OUTPERFORM.

3	SUMMARY
4	PERFORMANCE
5	PORTFOLIO DEVELOPMENTS
5	OVERVIEW OF NEW ANNOUNCED INVESTMENT
6	PORTFOLIO STRUCTURE
9	MARKET AND ECONOMIC UPDATE

TABLE OF CONTENTS

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. In December 2022, the Fund completed another capital rising, with a total of 883,535 units issued at \$1.16 per unit.

Further Capital has also been paid by the Fund to meet the call payment obligations made by Anchorage Capital in respect of the Fund's investment in Anchorage Capital Partners Fund III. 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 31 December 2022, a total of \$22,210,481 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. 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 50 underlying company investments at quarter end.

SPECIAL POINTS OF INTEREST

VPEG3 investee Mercury Capital Fund 3 announces an investment in Avive Health Pty Ltd, a developing private hospital operator with a specialisation in mental health.

During October 2022, VPESO distributes \$0.03 per Unit to all unitholders on the register as at 30 June 2022.

VPESO's NAV increases by 4% across the December quarter due to an uplift in the value of companies across the portfolio.

PERFORMANCE

The period 1 October 2022 to 31 December 2022, saw ongoing private equity activity across VPESO's portfolio, with the continued build-out of the portfolio with the acquisition of new interests, as well as an investment in an additional portfolio company by a VPEG3 investee fund.

During the quarter, the Fund completed an additional capital raise, raising a total of \$1,024,901, resulting in the issuance of 883,535 units. The capital has been partially used to fund the acquisition of \$1,050,000 in interests in VPEG3, as well as drawdowns for the period. Drawdowns during the quarter from VPESO, totalling \$755,209 were paid to Anchorage Capital Partners Fund III. The majority of the call was made for the purpose of funding the acquisition of a previously announced investment, Evolve NZ, with the remainder used to fund a follow-on investment into an existing portfolio company and to cover operational expenses of the fund.

VPESO received \$3,131,720 in distributions from underlying funds Anchorage Capital Partners Fund III, Allegro Fund IV (in relation to co-investment No. 2 Gull New Zealand) and VPEG3. The distribution received from Anchorage Capital Partners Fund III covered VPESO's share of the proceeds for the previously announced and recently completed exit of RailFirst Asset Management. The distribution received in relation to VPESO's co-investment into Gull New Zealand was the result of a New-Zealand based strategic investor purchasing into Gull New Zealand alongside Allegro Fund IV and other co-investors, including VPESO as well as proceeds from the sale and leaseback of approximately 15% of Gull's retail sites. Finally, the distribution received from VPEG3 related to net taxable income paid for the year ending 30 June 2022.

The table on the left provides a summary of the performance of the Fund's portfolio during the December 2022 quarter. As illustrated, VPESO's Net Asset Value increased by 3.98% across the quarter from \$1.155 per Unit at 30 September 2022 to \$1.201 per Unit as at 31 December 2022. The increase over the period related to valuation increases across VPESO's holding in Anchorage Capital Partners Fund III and its co-investment into Gull New Zealand.

Month Ending	VPESO NAV per Unit (\$)
31-Dec-22	1.201
30-Sep-22	1.155 *

* After provision of FY22 performance fees & FY22 distribution to Unitholders on the register at 30 June 2022, both paid during October 2022.

PORTFOLIO DEVELOPMENTS

During the December 2022 quarter, there was continued activity across VPESO's portfolio with the announcement of one new underlying company investment and the acquisition of additional secondary interests.

During December 2022, VPESO investee fund Mercury Capital Fund 3 announced an investment in Avive Health Pty Ltd, a developing private hospital operator with a specialisation in mental health.

During the quarter, VPESO also acquired an additional \$1,050,000 in commitments and investments in Vantage Private Equity Growth 3 (VPEG3).

As at quarter end, VPESO had ultimately committed to and invested in 50 underlying company investments with 7 exits completed (partially or fully realised) from the underlying funds. The Fund is continuously seeking opportunities to undertake additional co-investments and secondary acquisitions, with a number of opportunities currently under review, with completion dependent on the pricing and level of alignment with VPESO's strategy.

OVERVIEW OF NEW ANNOUNCED INVESTMENT

AVIVE HEALTH PTY LTD (AVIVE) – MERCURY CAPITAL FUND 3 (VPEG3)

During December 2022, VPEG3 investee fund Mercury Capital Fund 3 announced an investment into Avive Health Pty Ltd, a developing private hospital operator with a specialisation in mental health.



Mercury Capital Fund 3 invested into Avive alongside a high-quality management team led by three deeply experienced founders, Greg Procter, Mark Sweeney and Dr Matt McDornan. Avive's ambition is to become the #2 specialist mental health operator with a network of 10 specialist mental health hospitals across Australia.

The investment into Avive represents the tenth and final investment by Mercury Capital Fund 3, with completion of the deal having occurred in late January 2023.

PORTFOLIO STRUCTURE

VPESO's PORTFOLIO STRUCTURE - 31 DECEMBER 2022

The tables and charts below provide information on the breakdown of VPESO's investments as at 31 December 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	
2.0%	14.0%	Later Expansion	41.4%
		Buyout	42.5%

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 50 underlying company investments at quarter end, with seven exits completed to date. As a result, VPESO's Private Equity portfolio and commitments, as at 31 December 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	\$9.27m	7	1
Anchorage Capital Partners Fund III	\$350m	2017	Mid Market Turnaround / Buyout	\$5.00m	\$4.98m	5	1
Vantage Private Equity Growth 3	\$600m	2019	Fund of Funds - Lower to Mid Market Growth / Buyout / Turnaround	\$4.20m	\$3.94m	48	7
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				\$23.24m	\$22.21m	50	7

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 31 December 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	16.6%	16.6%
2	Medtech Global	Advent Partners 2 Fund	Provider of Practice Management Software	13.3%	29.9%
3	Compare Club	Co-Investment No. 2	Personal finance marketplace	8.8%	38.7%
4	Gull NZ	Co-Investment No. 1	New Zealand petroleum distribution company and petrol station chain	8.1%	46.8%
5	GBST	Anchorage Capital Partners Fund III	Financial services technology provider to the global wealth market	7.9%	54.7%
6	Flintfox	Advent Partners 2 Fund	Developer of Trade Revenue Management Software	6.3%	61.0%
7	Imaging Associates Group	Advent Partners 2 Fund	Diagnostic Imaging Service Provider	5.5%	66.5%
8	Zero Latency	Advent Partners 2 Fund	Virtual Reality Gaming Developer & Experience Attraction	5.2%	71.6%
9	Specialised Linen Services	Anchorage Capital Partners Fund III	Leading National Laundry Operator	5.1%	76.7%
10	Mandoe Media	Advent Partners 2 Fund	Digital Signage & Customer Engagement Software Services	2.5%	79.2%

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 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 33.6% of VPESO's total portfolio at quarter end.

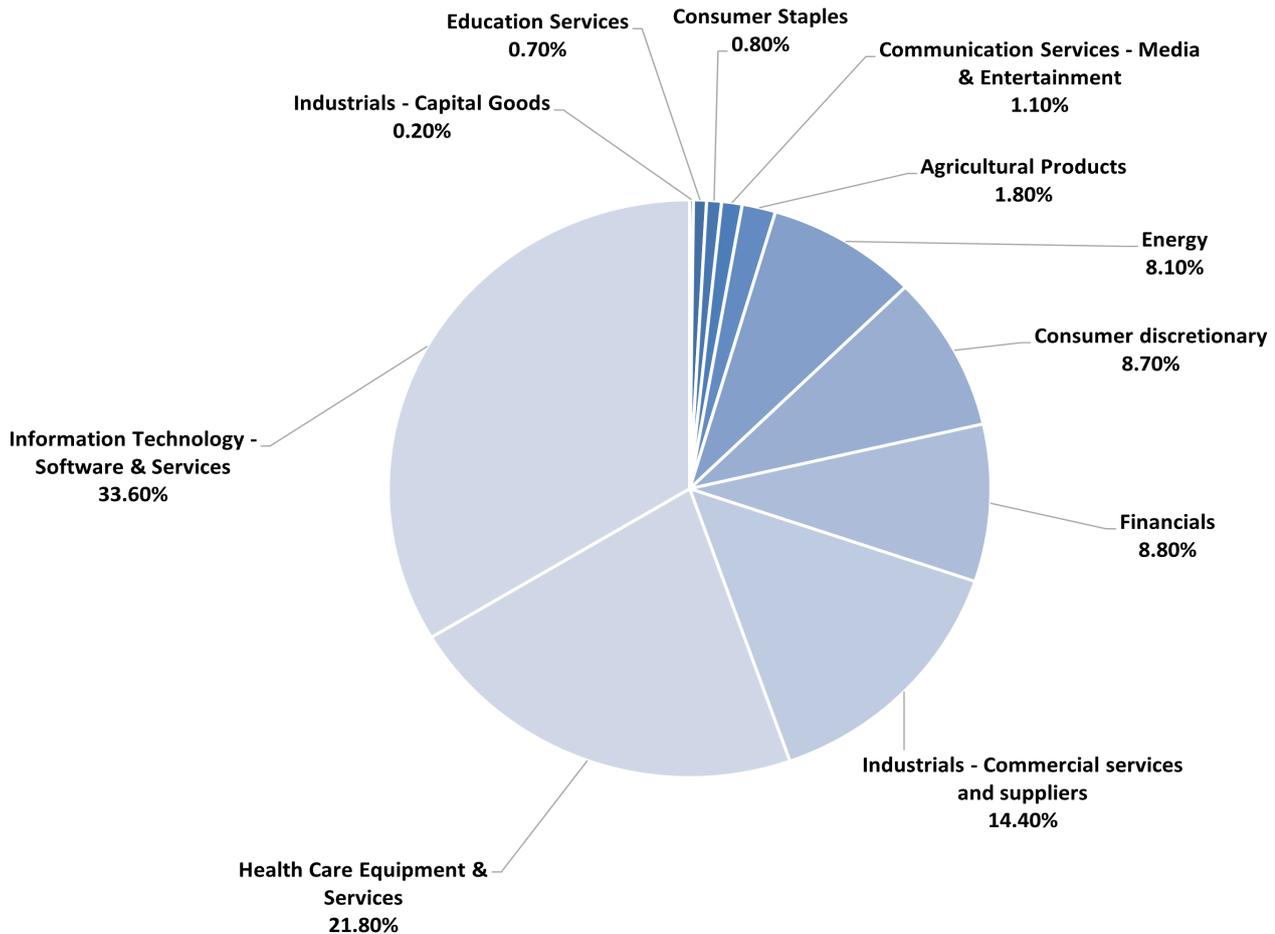


Figure: Industry exposure of VPESO's underlying investments

MARKET & ECONOMIC UPDATE

The Australian economy continued to show resilience during the final quarter of 2022, with consumption activity remaining buoyant despite a significant drop off in consumer sentiment. Aggregate spending was held up by high levels of employment, a drawing down of savings, and the remnants of catch-up spending associated with the pandemic. Australia's GDP expanded +0.6% quarter on quarter and +5.9% year on year in Q3-22.

Inflation continued to edge higher during the December quarter, with annual headline and core inflation running at 7.8% and 6.9% respectively, the highest levels since the early 1980s. Australia's labour market is operating beyond full capacity, with an unemployment rate of 3.5% and nominal wages growing by 1.2% over the September quarter and 3.4% over the past 12 months.

This quarter, the new Albanese Government handed down their first Budget, with new spending initiatives largely offset by savings measures to ensure fiscal policy was not stoking inflation. The RBA ratcheted up the cash rate by 325 basis points over nine consecutive months, which is now sitting at 3.35% as at mid-February.

The current consensus macroeconomic forecast is for Australia to experience a slowdown in economic growth in 2023 to 1.9% but not to enter a recession.

In New Zealand, a similar trend in can be observed, with real GDP growth set to slow to 1% in 2023, owing to weakening private demand and falling real incomes. Following the gradual easing of COVID-19-related restrictions, growth has picked up and consumer and business sentiment has improved, although remains quite depressed. Border re-opening has contributed to a surge in tourist arrivals, albeit to levels that remain much lower than before the pandemic.

Private equity activity remained quite robust in Q4 with 8 new buyout transactions announced or completed over the period. Most of these were at the smaller end of the market, with limited availability of financing and tighter covenants impacting deal execution for large buyouts. Despite the IPO window being shut, the market remains attractive and open to exits via trade or secondary sales, with underlying managers in the midst of a number of discussions and negotiations for the exit of portfolio companies which will generate strong returns through 2023. In line with the broader investment strategy of VPESO, the majority of holdings (ex. co-investments) are in mature funds that are in the realisation stages of their lifecycle. As a result, it's expected that 2023 will see continued realisations, rewarding investors with robust risk-adjusted returns.

Market sentiment in the private equity secondaries market suggests 2023 will be a strong year for secondary transaction activity, as global economic uncertainty forces LP's to seek secondary markets as a liquidity tool. VPESO continues to seek new secondary acquisition opportunities to further build-out the current portfolio, and is performing ongoing due diligence on a number of opportunities, which, pending favourable pricing and alignment with the overall strategy, can be expected to be added to the portfolio over the course of the year.

CONTACT DETAILS

The Vantage Private Equity Secondaries Opportunities Fund

Level 39, 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

Level 39, Aurora Place

88 Phillip Street

Sydney, New South Wales 2000

Telephone: +61 2 9067 3133

Email: info@vantageasset.com

Website: www.vpeso.com

Website: www.vantageasset.com

