

# QUARTERLY REPORT

# VANTAGE PRIVATE EQUITY SECONDARIES OPPORTUNITIES FUND

QUARTERLY INVESTOR REPORT  
30 JUNE 2022



**VPESO - DIVERSIFY. GROW. OUTPERFORM.**

# TABLE OF CONTENTS

- 3** SUMMARY
- 4** PERFORMANCE
- 5** PORTFOLIO DEVELOPMENTS
- 6** OVERVIEW OF RECENT EXIT
- 7** NEW UNDERLYING COMPANY INVESTMENTS
- 8** PORTFOLIO STRUCTURE
- 10** INDUSTRY SPREAD OF VPESO'S UNDERLYING INVESTMENTS

## **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.

The majority of Capital raised to date by the Fund, has been utilised for the secondary acquisition of \$10,000,000 of commitments and investments in the Advent Partners 2 Fund, \$5,000,000 of commitments and investments in Anchorage Capital Partners Fund III as well as to acquire \$3,147,165 of commitments and investments across Vantage Private Equity Growth 3, LP and Vantage Private Equity Growth Trust 3A.

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 June 2022, a total of \$16,393,203 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 committed an investment of \$2m to Gull NZ, alongside Allegro Fund IV (completed during July 2022). As a result, VPESO ultimately held interests and commitments in 47 underlying company investments at quarter end.

## SPECIAL POINTS OF INTEREST

*VPESO delivers a total annualised return of 24.0% p.a. since inception on 27 July 2021 to 30 June 2022*

*VPEG3 investee Odyssey Fund 8 announces the sale of Mining Technology Holdings Pty Ltd (MST) to Komatsu Ltd*

*VPEG3 investee Mercury Capital 3 completes the acquisition of Re.Group, a recycling company that operates one of the largest networks of facilities across Australia and New Zealand*

*VPESO's investment strategy allows investors to gain immediate exposure to some of the best performing Private Equity Funds in the country*

## PERFORMANCE

Across its first eleven months of operation, VPESO outperformed its target return and that of many traditional asset classes, over the same period. Since inception date 27 July 2021 through to 30 June 2022, VPESO delivered a total increase in value of 22.0%, which equates to an annualised return of 24.0% p.a.\*, significantly outperforming the S&P/ASX200 Accumulated index (AXJOA), which delivered -6.5% across the year ended 30 June 2022.

VPESO's outperformance of 30.5% over the S&P/ASX200 Accumulated index across FY22 demonstrates the strong and consistent alpha that VPESO's underlying fund managers have delivered across the portfolio.

As a result of the strong performance of VPESO across FY22, the Manager will declare a cash distribution during October 2022, of the net taxable income component of the Trust to VPESO investors who were on register as at 30 June 2022, as soon as the Funds accounts have been audited. Further details of this distribution will be notified to the applicable investors prior to the distribution being paid.

During the quarter, VPESO acquired an additional \$0.5 million in commitments and investments in Vantage Private Equity Growth 3 (VPEG3).

Drawdowns during the quarter from VPESO, totalling \$707,463 were predominately paid to acquire additional interests in Vantage Private Equity Growth 3. In addition, capital was called from VPESO for a follow on investment completed by one portfolio company during the period, as well as to fund management fees, working capital and the repayment of a short-term bridging loan facility utilised by one underlying fund.

The table to the left provides a summary of the performance of the Fund's portfolio during the June 2022 quarter. As illustrated, VPESO's Net Asset Value reduced slightly by 1.8% across the quarter from \$1.243 per Unit at 31 March 2022 to \$1.220\* per Unit as at 30 June 2022.

Month Ending	VPESO NAV per Unit (\$)*
30-Jun-22	1.220
31-Mar-22	1.243

\* Before performance fees

A majority of the reduction in VPESO's NAV across the quarter was attributable to a drop in the share price of the residual holdings of previously exited and now ASX listed underlying portfolio companies SILK Laser Clinics (ASX:SLA) and Best & Less Group (ASX:BST), that declined by 45.2% and 25.2% respectively across the quarter, as they were caught up in the negative sentiment impacting public share markets globally across the period. At the time of writing (19 August 2022) the share price of both SLA and BST have recovered by 49.2% and 19.3% respectively from their 30 June 2022 prices, indicating the likelihood of a rebound in the value of these holdings within VPESO's portfolio, during the September 2022 quarter.

## PORTFOLIO DEVELOPMENTS

Across the June 2022 quarter, there was continued activity across VPESO's portfolio with the addition of two new company investments, which were either completed or announced during the quarter. In addition, it was announced that one portfolio company had signed an agreement to be sold from the underlying portfolio.

During the quarter, VPEG3 investee Mercury Capital 3 completed the acquisition of Re.Group Pty Ltd, an Australian based recycling company. The investment also facilitated the bolt-on acquisition of Polytrade by Re.Group. The merged business creates Australia's largest network of recycling facilities, establishing a clear market leader in Australia's municipal recycling market.

Also, during the quarter, VPEG3 investee Next Capital Fund IV completed an investment into Jucy, a budget car and campervan rental business that hires vehicles to travellers and backpackers across Australia and New Zealand.

In June 2022, VPEG3 investee Odyssey Fund 8 announced the sale of 100% of Mining Technologies Holdings Pty Ltd (MST) to Komatsu Ltd. The proceeds from the sale, which settled on 1 July 2022, were distributed to VPEG3 in late July 2022, providing a strong return on investment to VPEG3 and ultimately VPESO.

During the quarter, VPESO underlying fund investment VPEG3, received distributions from:

- Allegro Fund III, for dividends received from previously exited and now ASX listed portfolio company, Best & Less Group (ASX:BST);
- Adamantem Capital I, following the sale and leaseback of the property portfolio of underlying company, Heritage Lifecare to Centuria Capital Group;
- Adamantem Capital I, resulting from the proceeds of the redemption of redeemable preference shares in portfolio company Hellers' Group.

Once VPEG3's FY22 audited accounts are finalised during October 2022, a distribution of the above proceeds will be declared and paid to VPESO.

VPESO's underlying Private Equity fund managers continue to engage in active communications with the management of each portfolio company ensuring that they continue to remain sufficiently resourced and well positioned for growth. In addition, managers have recently reported an increase in deal flow, with many

opportunities having more attractive acquisition metrics than had been the case across the previous 12 months. As at quarter end, VPESO had ultimately committed to and invested in 47 underlying company investments with 6 exits completed (partially or fully realised) from the underlying funds.

## OVERVIEW OF RECENT EXIT

### MINING TECHNOLOGIES HOLDING PTY LTD (MST) - ODYSSEY PRIVATE EQUITY FUND 8

In June 2022, VPEG3 investee Odyssey Private Equity Fund 8 (OPE8) announced that they had sold 100% of the shares in MST to Komatsu Ltd (Komatsu), a leading global organisation, listed on the Japanese stock exchange with a market capitalisation of \$33 billion.



Odyssey Fund 8 acquired MST in 2018 via a Management Buyout, partnering with the existing CEO and CFO to buy the business. Over the past four years, Odyssey Private Equity and the management team have positioned MST to be a global leader in the digital technology used in the underground mining space. This was as a result of several strategic initiatives implemented by Odyssey and the management team, including:

- Significantly investing in MST's product suite and technology roadmap, incorporating the latest technologies, while continuing to provide unique solutions to customers operating in harsh environments;
- Developing and launching a software suite, including a "digital twin" of an underground mine to provide customers with important operating functionality, increasing MST's recurring revenue;
- Maintaining regular dialogue with the key global buyer universe to maximise strategic value while preparing for exit.

The sale of MST, completed on 1 July 2022, delivered a strong return for OPE8 investors, including VPEG3 (and ultimately VPESO) across a 4-year holding period. The transaction was completed on 1 July 2022, with VPEG3's share of the sale proceeds received by VPEG3, later that month.

## OVERVIEW OF NEW INVESTMENTS

### RE. GROUP & POLYTRADE - MERCURY CAPITAL 3

On 6 April 2022, VPEG3 investee Mercury Capital Fund 3 announced the acquisition of Re.Group Pty Ltd, an Australian owned recycling company that provides high quality solutions for recycling and the recovery of resources.



Founded in 2013, Re.Group has rapidly expanded to deepen the impact of recycling work around Australia. Re.Group is the parent company of multiple entity groups which include; Re.Cycle Material Recovery Facilities, Re.Grow FOGO Processing, Return-It Container Deposit Schemes and Re.Collect Container Collection.

Mercury's investment into Re.Group facilitated the bolt on acquisition and merger of Polytrade within the Re.Group. Polytrade, is a recycling sorting and processing business that was founded in 1995. The combined business is headquartered in Sydney with 500+ staff, 19 operating sites and 94 collection points across major cities and regional centres in Australia.

The merged Polytrade and Re.Group will subsequently comprise of three divisions:

- I. Re.Cycle, which includes all of Re.Group and Polytrade's core municipal sorting and further processing infrastructure;
- II. Return.It, which is a market leading network operator and collector in Container Deposit Schemes (CDS) across NSW, Queensland, WA and ACT; and
- III. RDT Engineering, a specialised engineering business that designs and builds recycling facilities for council and commercial clients across Australia. This business has completed 75 turnkey projects in the last 17 years. Furthermore, it is a key internal function that will support the execution of growth projects in the broader Re.Group business over the next 3-5 years.

### JUCY - NEXT CAPITAL IV

In June 2022, VPEG3 investee Next Capital IV announced an investment into Jucy, a budget car and campervan rental business that hires vehicles to travelers and backpackers across Australia and New Zealand.



Established in Auckland in 2001, Jucy's camper business is predominantly focused on car and campervan rental, servicing customers across Australia and New Zealand. Next Capital's investment into the business was reported in the media as approximately \$30 million.

Next Capital will seek to position the business to benefit from the expected rebound in Australasian tourism with the reopening of international borders.

## PORTFOLIO STRUCTURE

### VPESO's PORTFOLIO STRUCTURE - 30 JUNE 2022

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

### 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	
0.1%	1.0%	Later Expansion	55.5%
		Buyout	43.4%

### PRIVATE EQUITY PORTFOLIO

VPESO, with commitments to and investments in two Private Equity funds, one fund of funds and one co-investment, has ultimately committed to and invested in 47 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 June 2022, were as follows;

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, LP	\$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	\$0.00m	1	-
<b>Total<sup>1</sup></b>				<b>\$20.15m</b>	<b>\$16.39m</b>	<b>47</b>	<b>6</b>

<sup>1</sup>Total No. of Investee Companies and No. of Exits excludes duplicates.

## SUMMARY OF VPESO'S UNDERLYING PRIVATE EQUITY INVESTMENTS

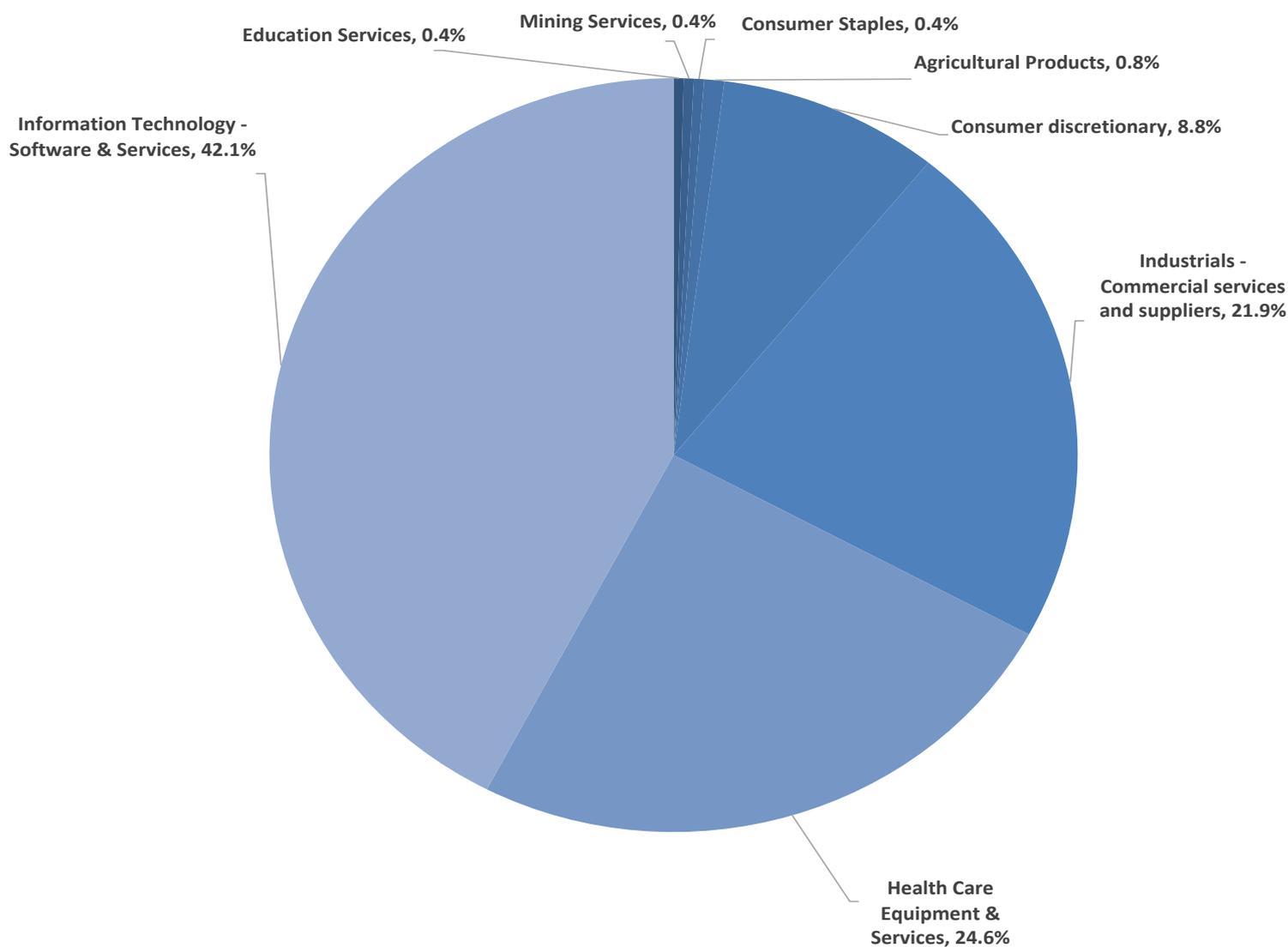
The table below provides a summary of the top ten underlying private equity investments in VPESO's portfolio for which capital had been called from VPESO as at 30 June 2022.

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	22.2%	22.2%
2	Medtech Global	Advent Partners 2 Fund	Provider of Practice Management Software	14.2%	36.4%
3	Rail First Asset Management	Anchorage Capital Partners Fund III	Rail Leasing Business	12.1%	48.5%
4	Flintfox	Advent Partners 2 Fund	Developer of Trade Revenue Management Software	8.9%	57.4%
5	Imaging Associates Group	Advent Partners 2 Fund	Diagnostic Imaging Service Provider	7.4%	64.8%
6	Zero Latency	Advent Partners 2 Fund	Virtual Reality Gaming Developer & Experience Attraction	6.9%	71.7%
7	Mandoe Media	Advent Partners 2 Fund	Digital Signage & Customer Engagement Software Services	6.3%	78.0%
8	Specialised Linen Services	Anchorage Capital Partners Fund III	Leading National Laundry Operator	4.9%	82.9%
9	GBST Wealth Management	Anchorage Capital Partners Fund III	Financial Services technology provider to global wealth markets	4.5%	87.4%
10	Scott's Refrigerated Logistics	Anchorage Capital Partners Fund III	Temperature Controlled Road and Rail Transport	3.1%	90.5%

## 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 June 2022

As demonstrated by the chart VPESO's exposure to the "Information Technology – Software & Services" industry sector, represents the funds largest industry sector exposure at 42.1% of VPESO's total portfolio at quarter end.



Figure; Industry exposure of VPESO's underlying investments

## CONTACT DETAILS

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## TRUSTEE & INVESTMENT MANAGER

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