

QUARTERLY REPORT

VANTAGE PRIVATE EQUITY GROWTH 4

QUARTERLY INVESTOR REPORT
30 JUNE 2022

VPEG4 DIVERSIFY
GROW
OUTPERFORM



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IMPORTANT INFORMATION

This report has been prepared by Vantage Private Equity Management Partnership, LP, an authorised representative of Vantage Asset Management Pty Limited (ABN 50 109 671 123) AFSL 279186 ('VAM') (in its capacity as Investment Manager of Vantage Private Equity Growth 4, LP). 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. All \$ referred to in this report are Australian dollars.

SUMMARY

Vantage Private Equity Growth 4 ('VPEG4') is a multi-manager Private Equity investment fund consisting of Vantage Private Equity Growth 4, LP (VPEG4, LP) an Australian Fund of Funds (AFOF) Limited Partnership and Vantage Private Equity Growth Trust 4A (VPEG4A) an Australian Unit Trust.

VPEG4, LP is unconditionally registered with the Australian Government Department of Industry, Innovation and Science as a complying investment for the Significant Investor Visa (SIV), focused on investing in the lowest risk sector, of the Venture Capital or Private Equity (VCPE) segment, Growth Private Equity.

VPEG4A has been established to undertake private equity investments that are not permitted to be made by an AFOF, in accordance with Australian regulations. As such only VPEG4 Investors that are not SIV investors, are unit holders in VPEG4A. VPEG4A also qualifies as a Managed Investment Trust (MIT) for Australian Tax purposes.

VPEG4 is focused on investing in professionally managed Private Equity funds that invest in businesses that are at a more mature stage of development, and in particular the Later Expansion and Buyout stages of Private Equity investment.

The Fund's investment objective for its Investment Portfolio is to achieve attractive medium term returns from its Private Equity investments while keeping the volatility of the overall investment portfolio low. This will be achieved by investing across a highly diversified portfolio of Private Equity assets, particularly profitable companies with proven products and services, with diversification obtained by allocating across fund manager, financing stage, industry sector, geographic region and Vintage Year.

VPEG4 has invested the majority of its Investment Portfolio into Australian based Private Equity funds who in turn are focused on investing into lower to mid-market sized companies headquartered in Australia and New Zealand, with enterprise values between \$25m and \$250m at investment. VPEG4's diversified portfolio focuses on investments into profitable companies in growth industry sectors including the Health Care, Consumer, Industrials, Information Technology and Agricultural Products sectors.

As at 30 June 2022, VPEG4 has made a total of \$168 million of investment commitments across seven Primary Private Equity funds and four co-investments. As a result, 16 unique underlying company investments exist within VPEG4's underlying portfolio at quarter end. VPEG4's investment commitments include; \$30 million to each of Allegro Fund IV, Advent Partners 3, CPE Capital 9 and Anchorage Capital Partners Fund IV, \$20 million to Potentia Capital Fund II and \$10 million to each of Riverside Australia Fund III and Adamantem Capital Fund II. VPEG4's co-investments includes a \$2 million investment in Imaging Associates Group (IAG), \$2 million commitment into Gull New Zealand, a \$2 million commitment to EventsAir and a \$2 million commitment to Integrated Control Technology (ICT).

SPECIAL POINTS OF INTEREST

Adamantem Capital Fund II announces the partial exit (sale) of portfolio company Climate Friendly, Australia's leading carbon farming project services provider

VPEG4 makes a \$20 million investment commitment to Potentia Capital Fund II, a middle market technology specialist buyout firm

VPEG4 investment committee approves a \$2 million co-investment alongside Advent Partners 3 Fund into Integrated Control Technology (ICT), a leading global provider of high quality electronic access control and security solutions for commercial properties and critical infrastructure

As at 30 June 2022, VPEG4 has \$168 million of investment commitments across seven Primary Private Equity funds and four co-investments. As a result, sixteen unique underlying company investments exist within VPEG4's underlying portfolio

PERFORMANCE

During the period 1 April 2022 to 30 June 2022 Adamantem Capital Fund II (ACF II) announced the sale of 33.7% interest in Climate Friendly, Australia's leading carbon farming project services provider. The interest was sold to Mitsui & Co. achieving a strong return after a holding period of 1.2 years with ACF II retaining a majority shareholding upon completion of the transaction. The partnership with Mitsui & Co will aid Climate Friendly to scale up efforts to expand its consultancy network and store carbon in land, further enhancing the company's market leading position in carbon farming development in Australia.

VPEG4's private equity managers continue to build their fund portfolios as well as focusing on portfolio management. Managers are focused on making sure each portfolio company, and each new investment added to the portfolios, are well equipped to sustain profitability through the current inflationary period. While managers recognise that inflation causes some near-term pressures, their investment approach continues to remain unchanged as they continue to pursue select thematic investment strategies into companies and sectors that demonstrate medium-term growth characteristics.

During the quarter, VPEG4 received distributions totalling \$3,798,236 resulting from:

- Adamantem Capital Fund II's partial sell down of Climate Friendly (see above).
- CPE Capital 9's sale of non-core assets owned by Rocla/Civilmart. This sale was in line with CPE management's investment thesis to realise an early return of capital to investors, including VPEG4.

During the quarter VPEG4's drawdowns totalling \$2,610,325 were paid to underlying funds Allegro Fund IV, Adamantem Capital Fund II, Riverside Australia Fund III and to fund the co-investment into Imaging Associates Group alongside Advent Partners.

The calls were predominately used to fund previously announced new underlying portfolio company investments along with the working capital and due diligence costs incurred in completing new investments throughout the period.

Due to the drawdowns paid to underlying funds, VPEG4 issued capital call No.3 on 10th May 2022, totalling 8% of investors committed capital (3% called by VPEG4, LP and 5% called by VPEG4A). As a result, at 30 June 2022 VPEG4, LP and VPEG4A had called 16% & 7% respectively of investors Committed Capital to VPEG4 (23% on a consolidated basis) to fund the required calls from underlying Private Equity Funds for the Fund's share of the sixteen company investments completed to date and added to VPEG4's portfolio.

PORTFOLIO DEVELOPMENTS

During the quarter, VPEG4 obtained the approval for a \$20 million investment commitment to Potentia Capital Fund II managed by Sydney based, middle market technology specialist, buyout firm Potentia Capital.

In addition, the VPEG4 Investment Committee approved a \$2 million co-investment commitment alongside Advent Partners 3 Fund into Integrated Control Technology (ICT), a leading global provider of high-quality electronic access control and security solutions for commercial properties and critical infrastructure.

As a result, VPEG4 has made a total of \$168 million of investment commitments across seven primary private equity funds and four co-investments.

In addition to the partial sale of Climate Friendly discussed in the previous section, across the June 2022 quarter, VPEG4 made further progress in building its portfolio with the addition of two new underlying company investments which were either announced or completed during the quarter.

During April 2022, Adamantem completed an investment into NAK Hair, the No.3 professional haircare company in Australia. Founded in 2003, NAK Hair supplies Australian-made professional and retail haircare products, the majority of which are vegan, paraben and sulphate free, in sustainable packaging.

During May 2022, CPE Capital announced the acquisition of Direct Group, Australia's leading digital and direct-to-customer consumer company exclusively focused on the over 45 demographics. Based in Sydney, Direct Group owns a number of shopping outlets that target direct sales to consumers, including TVSN shopping channel, Reader's Digest Magazine, online pet store "House of Pets" and womenswear business "Victoria Hill".

VPEG4's managers' continue to report that there are several interesting potential investment opportunities that meet their investment criteria. VPEG4's underlying managers remain actively engaged in late-stage due diligence and negotiations on a number of potential investment opportunities, which when completed, will be added to VPEG4's portfolio in the short to medium term.

VPEG4's underlying managers are also starting to entertain purchase offers for those companies within their portfolios that have achieved their investment thesis. As a result, we expect that the some exits from the VPEG4's underlying portfolio could be achieved during the remainder of 2022 calendar year.

OVERVIEW OF NEW INVESTMENT COMMITMENT

POTENTIA CAPITAL FUND II

In May 2022, Vantage Private Equity Growth 4 completed a \$20 million investment commitment to Potentia Capital Fund II.



Potentia Capital Fund II, managed by Sydney, Australia based Potentia Capital Management Pty Ltd, is a \$635 million Fund targeting investment into established middle market technology companies that are based in Australia and New Zealand, with the potential to capitalise on corridors of growth with Asian based bolt-on acquisitions.

Established in 2015, Potentia is the only Australia and New Zealand focused middle market technology specialist buyout firm. The team is led by Andrew Gray, Tim Reed and Michael McNamara. Andrew Gray was previously a partner at US technology buyout firm Francisco Partners and most recently one of four Managing Directors of leading Australian buyout firm Archer Capital, where in addition to co-managing the firm he was responsible for the firms technology investments. Tim Reed was most recently CEO of MYOB, a leading publicly listed Australia technology company with a market capitalisation of A\$2.3 billion and worked extensively with Andrew Gray, who led the investment and divestment of MYOB during his time at Archer Capital.

Potentia Capital Management is comprised of 23 investment, operating and advisory professionals, seven of whom have worked together while at Archer Capital or on Archer Capital/Francisco Partner deals. The team has over 50 years of collective private equity experience with a focus on technology buyouts, with a shared history of working together as both owners and operators. The team has leveraged their sector expertise and longstanding relationships with operating managers, strategic partners, advisors and market participants to build a highly focused and successful platform.

OVERVIEW OF NEW CO-INVESTMENT

INTEGRATED CONTROL TECHNOLOGY (ICT) / ADVENT PARTNERS 3 FUND

During June 2022, VPEG4's Investment Committee approved a \$2 million co-investment, alongside Advent Partners 3 Fund into Integrated Control Technology (ICT).



In March 2022, Advent Partners 3 Fund announced the investment in Integrated Control Technology (ICT), a leading niche global provider of high-quality electronic access control and security solutions for residential and commercial properties.

Founded in 2003, ICT has grown to become a global provider of access control solutions, with a majority of the company's revenue generated from exports to the US, Canada, Europe and Australia. ICT's solutions includes best-of-breed hardware products such as controllers, card readers and keypads, with extensive functionality enabled by its proprietary software and third-party integrations.

ICT's products are manufactured in-house at its head office in Auckland, New Zealand, and it employs ~230 staff, including an R&D team of ~75 staff based in Auckland. Despite established competitors in the market, ICT has been able to differentiate through its deep integrations with legacy products, extensive functionality, interoperability with third party products, and highly attractive price point.

OVERVIEW OF PARTIAL EXIT

CLIMATE FRIENDLY - ADAMANTEM CAPITAL FUND II

In May 2022, Adamantem Capital Fund II announced the partial (exit) sale of Climate Friendly, Australia's leading carbon farming project services provider, to Mitsui & Co.



The sale marked an exceptionally strong investment return across a 1.2 year hold period with Adamantem selling 33.7% of their shareholding and retaining a majority shareholding upon completion of the transaction. The partnership with Mitsui & Co will aid Climate Friendly to scale up efforts to expand the consultancy network and store more carbon in land, further enhancing the company's market leading position in carbon farming development in Australia.

Skye Glenday, co-CEO of Climate Friendly, noted that *"With Adamantem's support, we have invested in new talent and technology to scale up our support to partners in their carbon farming projects. We are looking forward to accelerating our impact, including through our new integrated farming method, and scaling up rapidly in this critical climate decade to deliver on our carbon abatement target of 100 Mt by 2025."*

Adamantem believe that the partnership with Mitsui will provide deep value in the decarbonisation space, enabling Climate Friendly's access to key international markets for the next phase of growth.

OVERVIEW OF NEW UNDERLYING INVESTMENTS

NAK HAIR - ADAMANTEM CAPITAL FUND II

During April 2022, Adamantem Capital Fund II announced an investment in NAK Hair, the No.3 professional haircare company in Australia.



Founded in 2003, NAK supplies Australian-made professional and retail haircare products, the majority of which are vegan, paraben and sulphate free, in sustainable packaging. With products available in over 3,000 independent salons, as well as select retailers and online and an ethos in-line with growing consumer demand for naturally formulated and environmentally sustainable products, NAK Hair provides a strong platform to deliver steady growth.

Adamantem's investment thesis is to accelerate NAK's existing sales momentum and target new avenues of growth. Adamantem have also identified a number of potential M&A opportunities which they believe would enhance the breadth and depth of NAK's offering.

DIRECT GROUP - CPE CAPITAL 9

In May 2022, CPE Capital 9 announced the acquisition of Direct Group, Australia's leading digital and direct-to-customer consumer company. Direct Group is one of Australia's leading direct to consumer retailers. It is a trusted provider of products



The Group markets and sells in Australia, New Zealand and Asia communicating directly with its customers through online, print, television and digital publishing.

The business operates through two divisions:

- I. **Innovations:** A leading direct to consumer retailer with a portfolio of online, social and catalogue brands. Included within Innovations is the Direct Publishing division comprising digital and print content platform including Reader's Digest, Over60, WYZA and Handyman.
- II. **TVSN:** Australia's leading video e-commerce retailer with a live and on-demand presence, e-commerce sites and mobile application.

Both divisions offer a broad range of merchandise across apparel, jewellery, homewares, health, beauty, craft, bed linen, electronics, books, entertainment and pets. Products are sourced through well-established international and local supply chains.

Direct Group's head office and supporting infrastructure of TV and design studios, online marketing teams, contact centres, editorial team, integrated product sourcing and customer order fulfilment are located on 5.3 hectares in the northern suburbs of Sydney, Australia.

Direct Group is well positioned to grow by leveraging structural tailwinds in global retail for digital shopping, visual marketing and engagement.

PORTFOLIO STRUCTURE

VPEG4's PORTFOLIO STRUCTURE - 30 JUNE 2022

The tables and charts below provide information on the breakdown of VPEG4's investments as at 30 June 2022.

CURRENT INVESTMENT ALLOCATION

The following table provides the percentage split of each of the VPEG4's 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 VPEG4's Private Equity portfolio.

VPEG4 Portfolio Breakdown			
Cash	Fixed Interest Investments	Private Equity	
16.5%	34.9%	Later Expansion	18.2%
		Buyout	30.4%

PRIVATE EQUITY PORTFOLIO

The table below provides a summary of VPEG4's Private Equity commitments and completed investments as at 30 June 2022.

Private Equity Fund Name	Fund / Deal Size	Vintage Year	Investment Focus	VPEG4 Commitment	Capital Drawn Down	Total No. of Investee Companies
Riverside Australia Fund III	\$350m	2019	Lower to Mid Market Expansion / Buyout	\$10.0m	\$7.84m	7
CPE Capital 9	*\$800m	2020	Mid Market Buyout	\$30.0m	\$4.55m	3
Adamantem Capital Fund II	\$727m	2020	Mid Market Expansion / Buyout	\$10.0m	\$3.06m	3
Advent Partners Fund 3 Fund	*\$500m	2021	Lower to Mid Market Expansion / Buyout	\$30.0m	-	1
Allegro Fund IV	*\$600m	2021	Mid Market Turnaround	\$30.0m	\$0.67m	1
Potentia Capital Fund II	\$635m	2022	Mid Market Buyout	\$20.0m	-	-
Anchorage Capital Partners Fund IV	*\$500m	2022	Mid Market Special Situation & Turnaround	\$30.0m	-	-
Co-invest No.1 (Imaging Associates Group)	\$52m	2021	Lower to Mid Market Growth Expansion	\$2.0m	\$2.05m	1
Co-invest No.2 (Gull New Zealand)	~\$500m	2022	Mid Market Special Situation	\$2.0m	-	1
Co-invest No.3 (EventsAir)	~\$100m	2022	Lower to Mid Market Expansion / Buyout	\$2.0m	\$2.00m	1
Co-invest No.4 (Integrated Control Technology)	\$25m	2022	Lower to Mid Market Expansion	\$2.0m	-	1
Total				\$168.0m	\$20.16m	16**

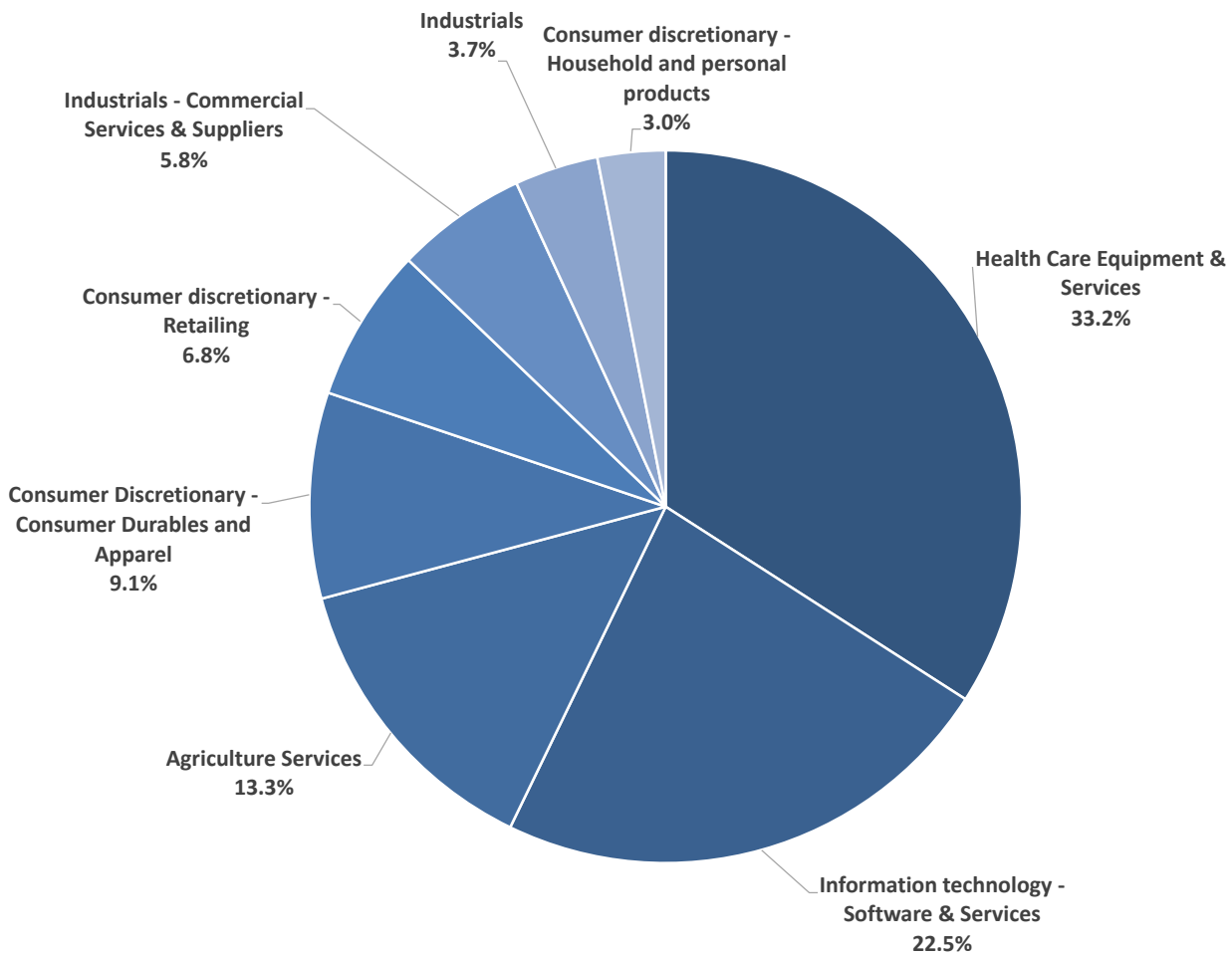
* Target Fund size

** Excluding Duplicates

INDUSTRY SPREAD OF VPEG4’s UNDERLYING INVESTMENTS

As a result of VPEG4 investee CPE Capital 9 completing the acquisition of Direct Group during the quarter, VPEG4’s exposure to the “Consumer discretionary – Retailing” industry sector commenced, representing 6.8% of VPEG4’s total private equity portfolio at quarter end.

“Healthcare Equipment & Services” industry sector represents VPEG4’s largest industry sector exposure representing 33.2% of VPEG4’s total private equity portfolio at June quarter end. This industry sector includes investments in Independent Living Specialists, Altius Group, Smartways Logistics, Avance Clinical and Imaging Associates Group.



Figure; Industry exposure of VPEG4’s underlying investments as at 30 June 2022

MARKET & ECONOMIC UPDATE

Australian and global markets experienced an eventful June quarter, as governments and central banks continued to navigate the economic fall-out of the pandemic, the Russian invasion of Ukraine and domestically, the flooding crisis in New South Wales and Queensland.

The dominant economic concern emanating from these events is the surge in inflation. As CPI measures trend to historical highs in many countries, central banks have commenced policy tightening measures in an effort to combat the rising cost of living. A major contributing factor in Australia has been energy costs, which have not only been impacted by ongoing supply issues from Russia, but a reduction in the thermal power domestically due to unplanned outages at multiple generators. This has been exacerbated by a sharp increase in demand resulting from extreme weather events in New South Wales and Queensland. The east coast floods have also significantly impacted the supply of fresh fruits and vegetables, driving up the price of food and further contributing to the spike in inflation.

The Reserve Bank of Australia (RBA) responding to inflationary pressures with three consecutive cash rate increases of 50 basis points in June, July and August, bring the overall cash rate to 1.85%. The RBA have indicated that further increases to the cash rate are likely over the remainder of the calendar year, as they endeavor to bring the inflation rate of 6.1% for the twelve months to June 2022, back in the 2-3% target range.

On a positive note, in April 2022, the Australian Government announced a relaxing of testing requirements for all travellers to Australia. This has since stimulated inbound tourism, with (at current rates) numbers forecast to reach pre-pandemic levels by the end of the calendar year. Further, Australian consumer spending is still riding the re-opening momentum that emerged from previous lockdowns. It continues to be supported by the high level of household savings accumulated over the pandemic, a dynamic that is expected to endure through the September quarter. Underpinning this is Australia's strong labour market, where key employment measures such as unemployment, underemployment and participation rates are trending at positive historical levels. These factors will allow Australia to approach the challenging economic period ahead from a position of strength, with households and businesses better equipped to weather the storm.

Despite the uncertainty, M&A activity remained strong, with a record \$140 billion worth of deals being announced in Australia and New Zealand in the first six months of 2022. This represents the highest value of completed deals within a six-month period since 2007. In private equity 11 buyout deals were completed (ten in Australia and one in New Zealand) as well as four exits (all in Australia). There has been an uptick of activity across the June 2022 quarter, with a number of high quality opportunities within the lower to mid market segment presented to VPEG4's underlying managers. As such, VPEG4's managers are starting to enter into later stage negotiations on a number of transactions, which once completed, will be added to VPEG4's portfolio across the remainder of the 2022 calendar year.

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