



# QUARTERLY REPORT

# VANTAGE PRIVATE EQUITY GROWTH 4

QUARTERLY INVESTOR REPORT  
31 DECEMBER 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' or the 'Fund') 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 will invest 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 value of between \$25m and \$250m at investment. VPEG4's diversified portfolio focused on investments into profitable companies in growth industry sectors including the Health Care, Consumer, Industrials, Information Technology and Agricultural Products sectors.

As at 31 December 2022, VPEG4 has made a total of \$170 million of investment commitments across seven Primary Private Equity funds and five co-investments. As a result, 20 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 commitment to each of Imaging Associates Group (IAG), Gull New Zealand, EventsAir, Integrated Control Technology (ICT) and Compare Club.

## SPECIAL POINTS OF INTEREST

*CPE Capital 9 completes the investment in Ambrose Construct Group, a specialised project management and head contractor to insurance companies operating in Australia*

*Potentia Capital Fund II completes the acquisition of Rex, a cloud-based software platform that provides innovative customer relationship management (CRM) tools to over 2,500 real estate agencies across Australia, New Zealand and the UK*

*Anchorage Capital Partners Fund IV announces the acquisition of David Jones, Australia's pre-eminent omni channel retailer of world class brands*

*As at 31 December 2022, VPEG4 has made a total of \$170 million of investment commitments across seven Primary Private Equity funds and five co-investments. As a result, twenty unique underlying company investments exist within VPEG4's underlying portfolio*

# PERFORMANCE

Drawdowns during the December 2022 quarter from VPEG4 totalled \$7,203,603, with majority of the called capital required to pay for VPEG4's share of two new underlying investments added to the portfolio, as well as for the repayment of the bridging facility used for the acquisition of a prior investment. Additionally, funds were required for the follow-on investment into two portfolio companies as well as the management fees and working capital needs of underlying funds.

Due to these drawdowns paid to underlying funds, VPEG4, LP issued capital call no.4 totalling 6% of investors committed capital to the VPEG4 on 20 December 2022. As a result, at 31 December 2022, VPEG4, LP and VPEG4A had called 22% and 7% respectively of investors committed capital to the Fund (29% on a consolidated basis) to fund VPEG4's share of the twenty unique company investments completed to date.

Given that 50% of the underlying investments have been held in the portfolio for less than twelve months, a number of companies still remain to be held at cost in line with the International Private Equity Valuation Guidelines adopted by the Australian Investment Council (AIC). As VPEG4's private equity portfolio matures and the hold period of each underlying investment increases beyond an initial 12-month period, VPEG4's underlying fund managers will revalue their portfolio companies at the end of each quarterly period, based on a multiple of the last twelve months of maintainable earnings of the relevant company.

The ongoing uncertainty of public markets and the broader economy is expected to benefit VPEG4 as the portfolio matures. Vendor concerns of a changing valuation market, and the loss of public markets as a potential source of capital is expected to broaden the ability for VPEG4's managers to perform strategic, cost-effective acquisitions as sector multiples begin to decline. Furthermore, given VPEG4's strategy to only make commitments to top tier performing private equity managers that only invest into established, profitable businesses in the lower to mid market, heightened short-term market volatility is expected to provide additional attractive buying opportunities for Vantage's underlying managers to continue to add companies to VPEG4's portfolio.

## PORTFOLIO DEVELOPMENTS

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Across the December 2022 quarter, three new underlying company investments were either announced or completed, further building out VPEG4's portfolio.

During October 2022, CPE Capital 9 completed the investment in Ambrose Construct Group, a specialised project management and head contractor to insurance companies operating in Australia through the undertaking of large volumes of primarily residential building repair work, with a particular focus on weather related repair events.

During December 2022, Potentia Capital Fund II completed the acquisition of Rex, a provider of SaaS software solutions to the residential real estate industry in Australia and the UK.

Additionally in December 2022, Anchorage Capital Fund IV announced the acquisition of David Jones, Australia's pre-eminent omni channel retailer of world class brands.

VPEG4's underlying managers report that there is a promising deal pipeline, as there are several investment opportunities that meet their investment criteria that, subject to extensive due diligence and negotiations on the terms on the transaction, could be completed in the next three to six months.

# OVERVIEW OF NEW UNDERLYING INVESTMENTS

## AMBROSE CONSTRUCT GROUP – CPE CAPITAL 9

During October 2022, CPE Capital 9 completed the investment in Ambrose Construct Group, a specialised project management and head contractor to insurance companies operating in Australia through the undertaking of large volumes of primarily residential building repair work, with a particular focus on weather related repair events.



The Ambrose Construct Group combines Ambrose Building (founded 2008), Construct Services (founded 1989), Marshall Restorations (founded 1977), Xtreme Clean Restoration & Sanitisation (founded 2020), Collective Trade Services, EnsureFlow and Scope IT Services.

The Group's combined depth of experience across insurance building and restoration portfolio specialisations, including national catastrophe response, sets the business apart from many insurance service providers nationally. Ambrose Construct Group brings together Australia's most talented and experienced team, empowered by world class technologies to set a new standard in insurance repair and restoration services. Together Ambrose aims to deliver best-in-class outcomes for their clients and their insured customers.

## REX – POTENTIA CAPITAL FUND II

During December 2022, Potentia Capital Fund II completed the acquisition of rex, a provider of SaaS software solutions to the residential real estate industry in Australia and the UK.



Established in 2011, Rex is a Real Estate specific software platform designed for real estate businesses to help them manage their operations, customer relationships, and marketing activities. This platform provides tools and features to manage property listings, customer leads, team collaboration, and workflow automation. The software aims to improve the efficiency of real estate businesses by streamlining their processes, reducing manual work, and providing insights into their operations. It also helps real estate businesses to maintain strong relationships with clients by providing a centralized platform to manage client interactions, track activities, and manage customer data.

Rex has publicly reported that the company has facilitated the sale of over \$511 billion worth of property with users generating over \$14 billion in commissions. The company currently offers four software products to help real estate agents deliver customer service at scale and are in the process of developing their fifth product (a property management software).

## DAVID JONES – ANCHORAGE CAPITAL PARTNERS FUND IV

During December 2022, Anchorage Capital Partners Fund IV announced the acquisition of David Jones, Australia's pre-eminent omni channel retailer of world class brands.

**DAVID JONES**

David Jones is Australia's premier omni-channel department store and an iconic Australian brand, positioned as a premium and luxury offering with complementary services across fashion and beauty with an 184 year heritage. It has a store network of 43 stores across Australia and New Zealand, with over 50 million in-store visits per annum and a deep customer base.

Over the past two years, performance has been impacted by COVID lockdowns and restrictions. Further, the business was owned by an offshore parent who is increasing their focus on other operations across their group. Accordingly, Anchorage Capital Partners have identified several key investment levers that provide a clear path to uplift earnings.

# PORTFOLIO STRUCTURE

## VPEG4's PORTFOLIO STRUCTURE - 31 DECEMBER 2022

The tables and charts below provide information on the breakdown of VPEG4's investments as at 31 December 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	
19.9%	1.7%	Later Expansion	54.4%
		Buyout	24.0%



## PRIVATE EQUITY PORTFOLIO

The table below provides a summary of VPEG4's Private Equity commitments and completed investments as at 31 December 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	\$8.47m	7
CPE Capital 9	\$800m	2020	Mid Market Buyout	\$30.0m	\$9.53m	4
Adamantem Capital Fund II	\$727m	2020	Mid Market Expansion / Buyout	\$10.0m	\$3.06m	4
Advent Partners Fund 3 Fund	\$410m	2021	Lower to Mid Market Expansion / Buyout	\$30.0m	-	1
Allegro Fund IV	\$600m	2021	Mid Market Turnaround	\$30.0m	\$1.28m	1
Anchorage Capital Partners Fund IV	\$500m	2022	Mid Market Special Situation & Turnaround	\$30.0m	-	-
Potentia Capital Fund II	\$635m	2022	Mid Market Buyout	\$20.0m	\$1.75m	1
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	\$2.00m	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	\$1.7m	1
Co-invest No. 5 (Compare-Club)	\$110m	2022	Later Stage Buyout	\$2.0m	\$2.0m	1
<b>Total</b>				<b>\$170.0m</b>	<b>\$33.84m</b>	<b>20**</b>

\* Target Fund size

\*\* Excluding Duplicates

## PRIVATE EQUITY PORTFOLIO

The table below provides a summary of the top ten underlying private equity investments in VPEG4's portfolio for which capital had been called from VPEG4 as at 31 December 2022 .

Rank	Investment	Fund	Description	% of VPEG4's Private Equity Investments	Cumulative %
1	Ambrose Construct	CPE Capital 9	Provider of project management and head contractor services to insurance companies.	10.6%	10.6%
2	Co-invest No.3 EventsAIR	Riverside Australia Fund III	Event platform enabling unlimited possibilities for in-person, hybrid & virtual events	9.4%	20.0%
3	Co-invest No.1 Imaging Associates Group	Advent Partners 2 Fund	Leading independent providers of diagnostic imaging services in Victoria and regional New South Wales	6.2%	26.2%
4	Co-invest No.5 Compare Club	Next Capital Fund IV	Operator of consumer finance and insurance information platform	6.0%	32.2%
5	Co-invest No.2 Gull New Zealand	Allegro Fund IV	New Zealand petroleum distribution company and petrol station chain	5.8%	38.0%
6	Climate Friendly	Adamantem Capital fund II	Consultancy group in the land-based carbon offset program to farmers around Australia	5.6%	43.6%
7	DirectGroup	CPE Capital 9	Digital and direct-to-consumer company exclusively focused on the over-45 demographic	5.3%	48.9%
8	Co-invest No.4 Integrated Control Technology	Advent Partners 2 Fund	Manufacturer of unified and intelligent electronic access control and security solutions	5.1%	54.0%
9	Independent Living Specialists	Riverside Australia Fund III	Supplier and registered NDIS provider of hospital and home-care equipment	5.0%	63.0%
10	Altius	Riverside Australia Fund III	Provider of allied health services in Australia	4.9%	68.9%

### INDUSTRY SPREAD OF VPEG4’S UNDERLYING INVESTMENTS

As a result of CPE Capital 9’s acquisition of Ambrose Construct Group during October 2022, VPEG4’s exposure to the “Industrials – Commercial Services & Suppliers” industry sector, increased from 5.5% to 16.3% at quarter end.

Due to the acquisition of Rex by investee Potentia Capital Fund II, VPEG4’s exposure to the “Information Technology – Software & Services” industry sector, increased from 17.6% to 18.7% at quarter end.

VPEG4’s exposure to the “Healthcare Equipment & Services” industry sector, which consists of Independent Living Specialists, Altius Group, Smartways Logistics, Avance Clinical, Imaging Associates Group and CardioCo represents VPEG4’s largest industry sector exposure at 25.5% of VPEG4’s total Private Equity portfolio at December quarter end.

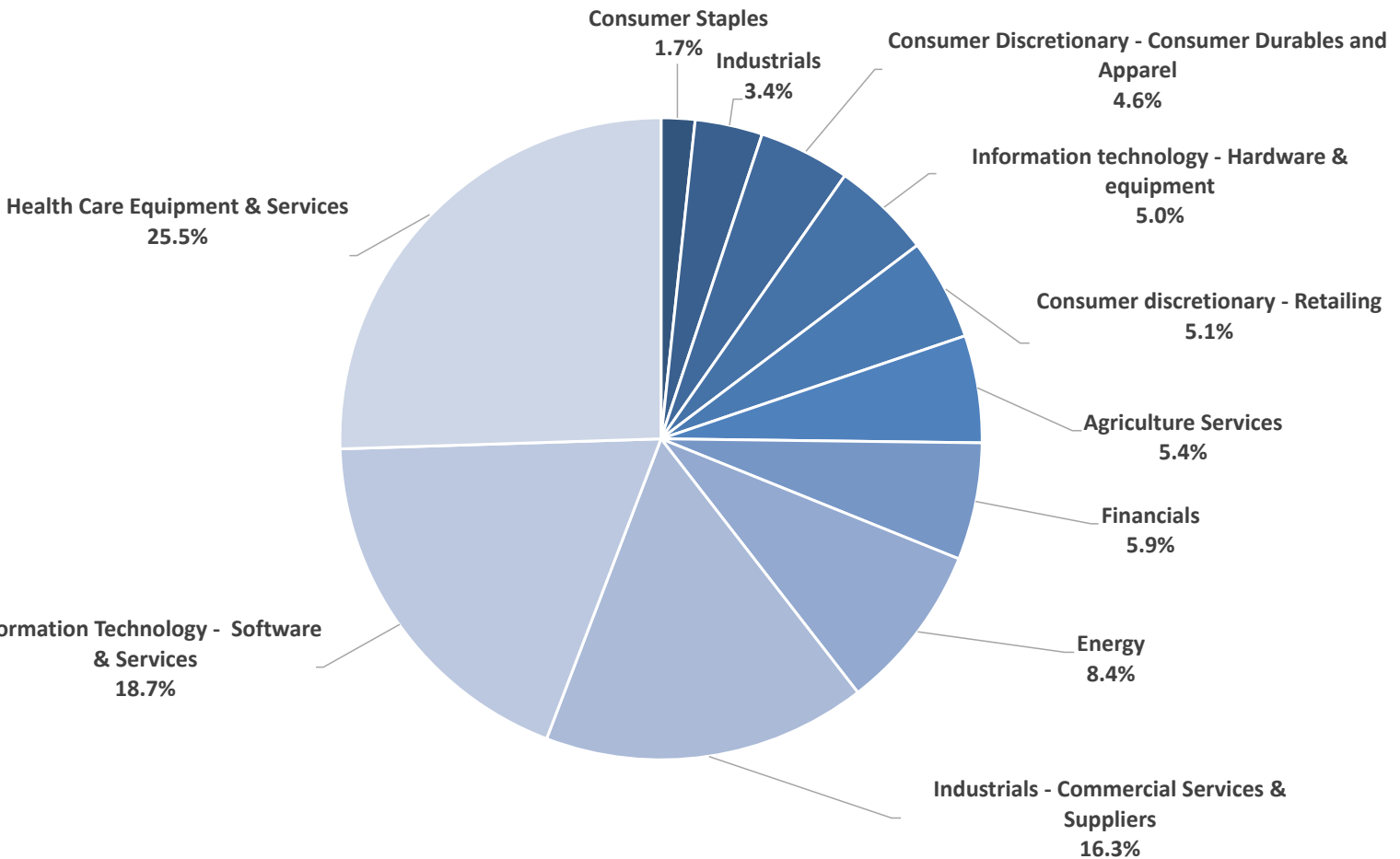


Figure: Industry exposure of VPEG4’s underlying investments as at 31 December 2022

## MARKET & ECONOMIC UPDATE

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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 December quarter and 3.5% 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 300 basis points over eight consecutive months, sitting at 3.1% as at the end of December with the RBA expected to lift the cash rate by a further 25bps in Q1, 2023.

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 origination activity remained quite robust in Q4 with 8 new buyout transactions announced or completed in Australia over the period. Notably 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. There has been an uptick of activity across the December 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 2023 calendar year.

## CONTACT DETAILS

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## GENERAL PARTNER & INVESTMENT MANAGER

**General Partner: Vantage Private Equity Management Partnership, LP**

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