

QUARTERLY REPORT

VANTAGE PRIVATE EQUITY GROWTH 4

QUARTERLY INVESTOR REPORT
30 JUNE 2023

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 will develop a diversified portfolio of underlying investments by investing into between 6 to 8 underlying Private Equity funds, focused 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 2023, VPEG4 has made a total of \$172.5 million of investment commitments across seven Primary Private Equity funds and six co-investments. As a result, 28 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 each of Imaging Associates Group (IAG), Gull New Zealand, EventsAir, Integrated Control Technology (ICT) and Compare Club and \$2.5m in PAC Trading (PAC).

SPECIAL POINTS OF INTEREST

Allegro Fund IV completes the acquisition of Slater & Gordon, a leading Australian consumer law firm, in April 2023

VPEG4's makes a \$2.5 million co-investment alongside Adamantem Environmental Opportunities Fund into Pac Trading, an Australian-based company providing innovative and sustainable packaging solutions to the food services industry.

As at 30 June 2023, VPEG4 has \$172.5 million of investment commitments across seven primary private equity funds and six co-investments. As a result, twenty-eight unique underlying portfolio companies exist within VPEG4's underlying portfolio.

PERFORMANCE

As at 30 June 2023, VPEG4 had called 32% of investors Committed Capital (Capital Calls No.1, 2, 3 and 4) to fund the required calls from underlying private equity funds for the Fund's share of twenty-eight announced or completed investments to date.

A majority of the underlying investments in the portfolio have been held for less than twelve months, and as a result are being held at cost in line with the International Private Equity Valuation Guidelines adopted by the Australian Investment Council (AIC). The average hold period for underlying companies in VPEG4's portfolio as at 30 June 2023 is 1.21 years. Despite the short-hold periods, these businesses have shown encouraging signs of robust earnings growth, and as a result will likely lead to valuation increases for VPEG4 across FY24.

During the quarter, drawdowns from VPEG4 totalling \$1,282,908 were called by underlying funds to cover VPEG4's share of a new investment, repayment of a bridging facility as well as to cover other operational expenses and working capital needs of the underlying funds.

As at 30 June 2023 VPEG4, LP and VPEG4A had called 22% and 10% respectively of investors committed capital to VPEG4 (32% on a consolidated basis) to fund VPEG4's share of the twenty-eight unique company investments completed to date and added to VPEG4's portfolio. In order to cover additional capital requirements for expected future drawdowns, VPEG4 issued capital calls to both LP and Trust investors in July 2023 for 5c and 8c respectively.

Amidst the peak in inflation and a prevailing RBA cash rate of 4.1%, the economy is witnessing a gradual slowdown, prompting businesses to proactively adjust and streamline their cost structures due to the escalating expenses. Consequently, Financial Institutions and Advisory networks are turning to VPEG4's underlying private equity managers as a source of capital to assist these businesses with their growth aspirations during this inflationary period. As a result, VPEG4's underlying managers are seeing a clear uptick in offshore headquartered corporations focusing on their core markets and divesting their Australian and New Zealand (ANZ) operations.

These large multinational corporations are often more focused on improving margins in their core business by disposing of non-core ANZ operations, than on the valuation of the business they are seeking to sell off, which subject to extensive due diligence and negotiations on the terms of the transaction, will allow VPEG4's managers to potentially acquire those corporate carve-outs at attractive valuations.

PORTFOLIO DEVELOPMENTS

Across the June 2023 quarter, one new co-investment was approved by the Fund's Investment Committee in addition to the completion of the previously announced acquisition of Slater & Gordon by Allegro Fund IV, further building out VPEG4's portfolio. A co-investment of \$2.5m into PAC Trading, alongside Adamantem Capital Environmental Opportunities Fund was approved by VPEG4's Investment Committee in June 2023, with the deal being completed in July 2023.

As a result, VPEG4's portfolio comprised of 28 unique company investments that have been completed or announced at quarter end.

VPEG4's underlying managers' report that there is a promising deal pipeline, which comprises numerous investment opportunities that meet their investment criteria. These opportunities, subject to extensive due diligence and negotiations on terms, have the potential to be completed and added to VPEG4's portfolio within the next three to six months.

OVERVIEW OF NEW CO-INVESTMENT (ANNOUNCED)

PAC TRADING / ADAMANTEM ENVIRONMENTAL OPPORTUNITIES FUND

During June 2023, VPEG4's Investment Committee approved a \$2.5 million co-investment alongside Adamantem Environmental Opportunities Fund into Pac Trading, an Australian-based company providing innovative and sustainable packaging solutions to the food services industry.



Pac Trading offers a wide and unique range of quality products for any food-services business. The company specialises in custom print packaging for food and retail industries, providing a high level of professional customer service.

Pac Trading has 69 employees with warehouse facilities in Melbourne, Brisbane, Sydney and Perth as well as a head office in Sydney, which is supplemented by a support team in the Philippines. The company's customer base is ~1,500 customers and includes 637 distributors across Australia.

Pac Trading has experienced accelerated growth over the past 5 years due to industry tailwind from government bans on single use plastic products, which will continue to support its future growth.

OVERVIEW OF NEW UNDERLYING INVESTMENT

SLATER & GORDON (ASX : SGH) – ALLEGRO FUND IV

During May 2023, Allegro Fund IV successfully completed the acquisition of Slater & Gordon and delisted it from the ASX. As previously reported in VPEG4's March 2023 quarterly investor report, S+G is a leading Australian law firm specialising in the consumer law market with over 10% market share and has an almost 90-year history in providing personal injury and class action law services.



This acquisition allows Allegro to partner with and support Slater & Gordon's management team in pursuit of growth initiatives, which leverage's Allegro's strong turnaround track record.

The law firm had previously been impacted by a debt-for-equity swap in 2017 following a debt-funded acquisition of UK firm Quindell, which saw hedge funds own nearly 94% of the equity before Allegro's bid. However, Slater & Gordon has since posted a \$110 million net revenue, up 37%, and a \$16.7 million after-tax profit in the first half of FY23. It has also cut its net debt to EBITDA ratio from 3.2-times in the June 2022 half to 1.6-times at December 2022 end.

These improvements, combined with the limited liquidity since the 2017 recap, make the acquisition an attractive turnaround opportunity for Allegro Fund IV and their investors including Vantage Private Equity Growth 4 (VPEG4).

PORTFOLIO STRUCTURE

VPEG4's PORTFOLIO STRUCTURE - 30 JUNE 2023

The tables and charts below provide information on the breakdown of VPEG4's investments as at 30 June 2023.

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	
0.1%	11.3%	Later Expansion	64.7%
		Buyout	23.9%

PRIVATE EQUITY PORTFOLIO

The table below provides a summary of VPEG4's Private Equity commitments and announced or completed investments as at 30 June 2023.

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	\$8.55m	7
CPE Capital 9	\$729m	2020	Mid Market Buyout	\$30.0m	\$8.01m	4
Adamantem Capital Fund II	\$727m	2020	Mid Market Expansion / Buyout	\$10.0m	\$3.63m	5
Advent Partners Fund 3 Fund	\$410m	2021	Lower to Mid Market Expansion / Buyout	\$30.0m	\$3.00m	1
Allegro Fund IV	\$600m	2021	Mid Market Turnaround	\$30.0m	\$1.99m	2
Anchorage Capital Partners Fund IV	\$500m*	2022	Mid Market Special Situation & Turnaround	\$30.0m	\$1.09m	3
Potentia Capital Fund II	\$635m	2022	Mid Market Buyout	\$20.0m	\$2.21m	3
Co-invest No.1 (Imaging Associates Group)	~\$120m	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)	~\$110m	2022	Lower to Mid Market Expansion	\$2.0m	\$1.70m	1
Co-invest No. 5 (CompareClub)	\$110m	2022	Later Stage Buyout	\$2.0m	\$2.00m	1
Co-invest No. 6 (PAC Trading)	\$71m	2023	Growth Capital, Later Stage Expansion & Buyout	\$2.5m	\$0.00m	1
Total				\$172.5m	\$38.23m	28**

* 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 30 June 2023.

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.	10.5%	10.5%
2	Integrated Control Technology	Advent Partners 3 Fund / Co-Investment No. 4	Manufacturer of unified and intelligent electronic access control and security solutions	9.4%	20.0%
3	EventsAIR	Riverside Australia Fund III / Co-investment No. 2	Event platform enabling unlimited possibilities for in-person, hybrid & virtual events	8.0%	28.0%
4	Energy Exemplar	Riverside Australia Fund III	Provides solutions to the energy market via economic modeling and simulation software	7.2%	35.2%
5	Imaging Associates Group	Co-investment No. 1	Leading independent providers of diagnostic imaging services in Victoria and regional New South Wales	7.0%	42.2%
6	Climate Friendly	Adamantem II	Consultancy group in the land-based carbon offset program to farmers around Australia	6.2%	48.3%
7	Rocla / Civilmart	CPE Capital 9	Leading supplier of precast concrete products to the civil and construction industries.	5.6%	54.0%
8	Compare Club	Co-investment No. 5	Operator of consumer finance and insurance information platform	5.4%	59.3%
9	Independent Living Specialists	Riverside Australia Fund III	Supplier and registered NDIS provider of hospital and home-care equipment	5.3%	64.6%
10	Gull Petroleum	Allegro IV / Co-investment No. 3	New Zealand petroleum distribution company and petrol station chain.	5.3%	69.9%

INDUSTRY SPREAD OF VPEG4’S UNDERLYING INVESTMENTS

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 Advara Healthcare represents VPEG4’s largest industry sector exposure representing 29.1% of VPEG4’s total Private Equity portfolio at June quarter end.

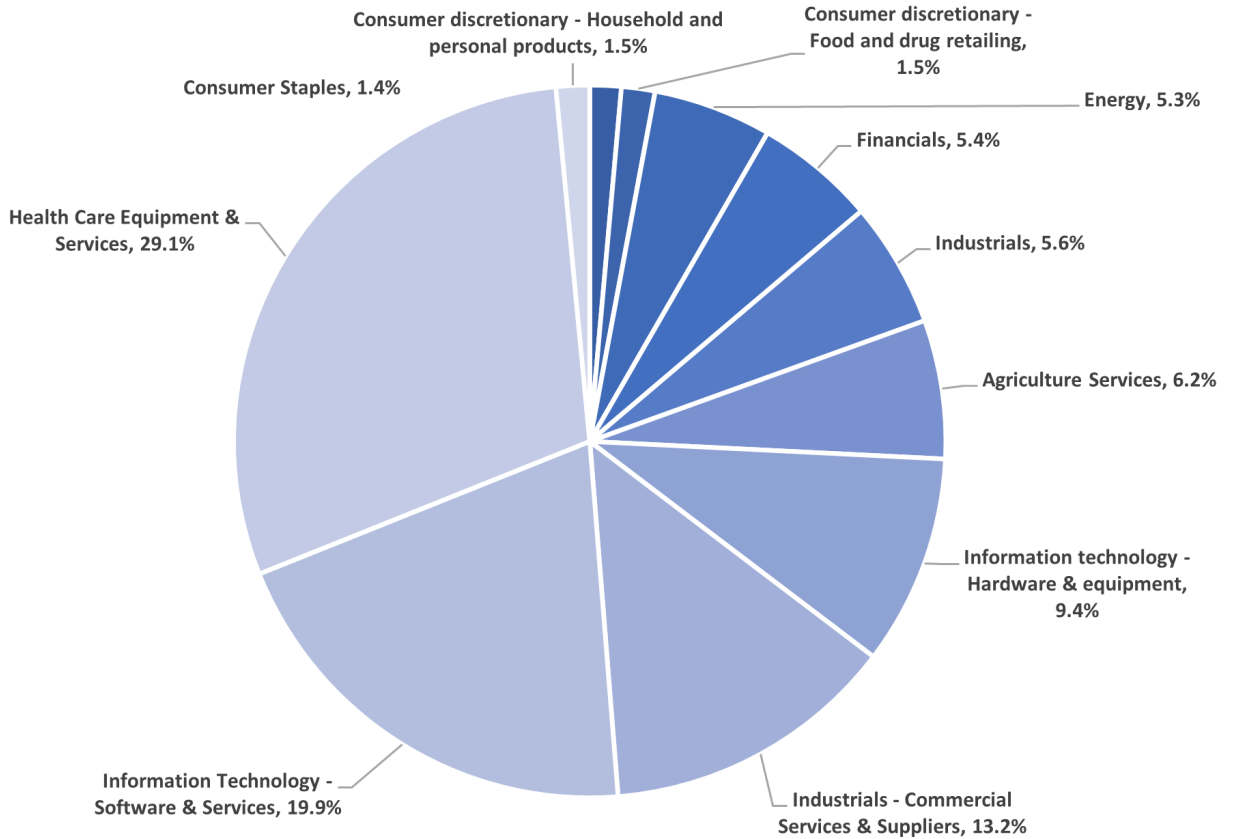


Figure: Industry exposure of VPEG4’s underlying investments as at 30 June 2023

ECONOMIC & MARKET UPDATE

The Australian economy has been displaying signs of a slowdown, with GDP growth of only 0.2% during the March quarter, the lowest since the contraction caused by the COVID-19 Delta lockdown in September 2021. On an annual basis, GDP grew by 2.3%, down from 2.7% in the previous quarter. The Reserve Bank of Australia (RBA) expects the economy to grow in 2023 but at a slower pace, with a forecast of 1.25% GDP growth.

To curb inflation, the RBA increased the cash rate to 4.1% in the June quarter, with 25bps hikes in both May and June, before pausing in July to assess the impact of previous rate increases and the economic outlook. Inflation has started to moderate, with CPI for the 12 months to June recording 5.4%, a decline from the peak of 8.4% in December.

Consumer market conditions are showing signs of weakness due to rising living costs. Increasing interest rates are affecting household budgets, leading to slower household consumption activity, a declining household savings rate, and weakened consumer sentiment. While spending on non-discretionary items like food, health, transport, and catering continues to grow (albeit at a slower pace), discretionary spending has contracted as consumers cut back on recreation, furniture, and clothing purchases.

Despite weak consumer sentiment, the labour market is operating at full capacity, with the unemployment rate remaining historically low at 3.5%. The high employment rate is expected to moderate the impact of market conditions on consumer spending.

During the quarter, the Australian government presented its second budget since the May 2022 election, reporting a small surplus—the first in 15 years. Although the government anticipates a strong revenue path ahead, the budget is expected to return to a deficit due to cost increases and policy measures aimed at alleviating cost-of-living pressures.

In New Zealand, real GDP declined for the second consecutive quarter, albeit at a slower rate, falling by 0.1% during the March quarter, mainly due to weakening private demand and falling real incomes. Consumer confidence rose slightly in the June quarter but remains relatively low. The Reserve Bank of New Zealand hiked rates by 25bps on May 24th, reaching 5.5%, one of the highest rates among OECD countries, in an effort to control inflation, which currently stands at 6.7% (down from 7.2% in the previous report).

Private equity transaction activity continued at a slow pace in the quarter, with only 5 deals announced or completed. Despite the slow deal pace environment, VPEG4's underlying managers have seen an increase in the inbound intermediated origination activity during the quarter, particularly in the New Zealand market. Vantage's managers are expecting this trend to be followed in the Australian market in the second half of the year. Alongside moderating vendor valuation expectations, VPEG4 is anticipating elevated levels of deal activity in the short to medium term, which will ultimately increase the size and value of VPEG4's private equity portfolio.

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