



# Partners Group

REALIZING POTENTIAL IN PRIVATE MARKETS

## PGG Weekly Update – Script (May 7<sup>th</sup> 2020)

Hello, my name is Andrew Bellis. This is the latest of our weekly updates for unitholders in the Partners Group Global Income Fund.

Over the past week we have continued to observe many of the same themes we have talked about during our recent update calls. We are starting to see all major economies plan how they are going to re-open and in many countries and US states the gradual restart of various parts of the economy is beginning.

The approach is not uniform but we see sectors such as construction and manufacturing gradually start to re-open as well as a wider range of retail and more discretionary consumer outlets being allowed to reopen in certain countries. However, absent a much more rapid decline in cases, or a vaccine, it is clear that this reopening process will be gradual and at risk of reversing if new cases start to pick up again.

So whilst we view this gradual re-opening of the various economies as a positive from a lender perspective we remain cautious. We expect in many instances that companies that we lend to that had significant revenue reduction will start to see a gradual rebound as the economies start to re-open but the rebound will be gradual. It is also unclear how different our post COVID world will look. In particular for the consumer, whilst many retail outlets and then bars and restaurants will re-open, social distancing protocols will remain in place meaning capacity will remain reduced for a significant period of time. Will consumers be as keen to spend time in bars, restaurants and cinemas as they were pre COVID?

It is likely these questions, and many others linked to the re-opening of economies, continues to weigh on markets and prevent further price increases after the snap back from the extreme lows we saw in late March. It is the opposing views between optimism of re-opening and pessimism over the length of time it will take to get back to a “new normal” that means many investors have more of a wait and see approach. As a result we have again seen prices largely unchanged in the First Lien Senior Secured Loan market overall.

As such, and as we mentioned in the last update call, we continue to believe that further broad asset price recoveries are less likely unless there is a material breakthrough in treatment or a vaccine. Any price movements will be much more company and sector specific for the time being.

We briefly mentioned last week that we are also starting to see some level of new activity in the First Lien Senior Secured Loan market. This is another positive sign for the overall market. Some of these early transactions have been much more geared towards companies that are directly in the focus of the COVID-19 shutdown such as gaming companies or airlines. We have avoided these transactions due to the high level of uncertainty these businesses have in the current environment, or in the case of gaming ESG concerns.

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We did however participate in a small amount of a new issue First Lien Senior Secured loan this week for PGG, alongside other funds advised by Partners Group. This was an add-on transaction for a Private Equity sponsor owned company that operates within the mobile entertainment and advertising space. This is a business that has continued to perform strongly through COVID-19 and arguably benefits from the current environment where people are spending more time at home. The loan that PGG participated in had a coupon of Libor+4% and had an upfront fee of 5% (i.e. PGG purchased this loan at a price of 95%). These terms are materially more attractive than terms that would have been offered pre COVID-19. At the start of this year we would have expected an upfront fee of 1% or less and a coupon on the loan that was probably Libor + 3.5-3.75%.

As a reminder, all the loans within the portfolio are performing and continue to pay interest when due and payable. PGG has continued and expects to continue to pay its stated monthly distribution of RBA + 4% as based upon the launch NTA of AUD 2.00 per share.

Enjoy your week.

Many thanks  
Andrew

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