



Partners Group

REALIZING POTENTIAL IN PRIVATE MARKETS

PGG Update – Script (December 16th 2020)

Hello, my name is Andrew Bellis. This is an update for unitholders in the Partners Group Global Income Fund.

This is our last update of 2020 and what an unprecedented year it has been!

Taking stock of where financial markets are now, Global Stock markets in particular, and also, but to a lesser extent, the First Lien Senior Secured Loan and Private Debt Markets, it's hard to believe where we were just 8 months ago. 2020 saw the sharpest fall we have ever seen in the First Lien Senior Secured Loan markets. Whilst the peak to trough price fall was not as large as that seen during the Global Financial Crisis, the speed of decline was much faster, and an unprecedented shock to the market. The rebound in the market, whilst slower, and not yet fully complete has also been breathtaking. All in all, 2020 saw levels of volatility in the First Lien Senior Secured Loan and Private Debt markets that we really haven't seen before, and would hope we don't see again.

Given the remarkable recovery in the market, it's somewhat puzzling when looked at in the context of numbers as they relate to COVID-19. Most countries are in a worse place than they were earlier this year in terms of the rate of infections, yet as we mentioned, financial markets are in a very different place. Probably the most significant factor in the recovery of all financial markets since the lows of late March has been the Central Bank and Government support, this was swift in its arrival, unprecedented in its size and whilst its longevity is uncertain, the market's view is that it will be in place for some time to come.

Over the last few weeks two other events have had more of an impact on our market.

Firstly was the increasing clarity around the outcome of the US presidential election and the market's reaction to it. Financial markets in general have taken the clear victory of Joe Biden as a positive outcome. In addition, some of his key appointments, notably that of former Federal Reserve chair Janet Yellen, as Treasury Secretary, have provided further positive momentum. As is often the case, certainty and stability has been viewed as a positive outcome by financial markets.

Secondly, and probably more importantly has been the news about the various vaccine developments for COVID-19. First the Pfizer-BioNtech vaccine and then the Moderna equivalent, followed closely by the Astra-Zeneca vaccine developed in conjunction with Oxford University. Perhaps of most relevance was the fact that these vaccines have been showed to be highly effective (90%+ in the case of the first two).

Whilst the market had already experienced substantial price recovery in recent months, those sectors and companies which were more exposed to COVID-19 related shutdowns

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had materially lagged the broader market recovery. The vaccine news has provided those sectors with a renewed boost. Within the PGG portfolio we saw material price increases in those names that were exposed to COVID-19 off the back of this news, what we would describe as a continuation of the re-opening theme. A note of caution however must be given to timelines, it's clear that although the vaccines have been shown to be highly effective, it will take a number of months for them to be rolled out widely and any return to normal is still some months away.

At the portfolio level we have continued to add new positions to the PGG portfolio, in particular, from the primary market. These have encompassed primarily more syndicated transactions as well as a small number of more Direct transactions. We believe these investments for the PGG portfolio offer attractive risk-return characteristic and notably have higher coupon levels than we would have seen at the start of this year or "pre COVID-19". We are also seeing an increase in the level of prepayments across the PGG portfolio as Merger and Acquisition activity has increased from the very low levels seen for most of this year, this is a trend we expect to continue to increase in 2021.

We have also seen a continued gradual NTA increase in PGG over recent weeks and as we have mentioned in previous updates, our focus remains on continuing that steady increase in our NTA through ongoing management of the portfolio. It is also worth noting, we continue to believe we are generating an attractive level of income in the fund relative to our stated dividend. As of the latest monthly report, the average spread on the portfolio is approximately 4.8%, taking into account the financing (or gearing) that PGG uses, this translates into a gross (pre-management fee) income level of approximately 6% compared to our stated dividend target of RBA+4%.

Whilst it's difficult to give predictions for next year, our view, and hope is that it is a much duller year. Perhaps better put, it is more of a return to normal and in particular, that we have nowhere near the same level of volatility which has been unprecedented in 2020. We believe that, notwithstanding the fluctuation in NTA due to mark to market movements, the portfolio of PGG has performed as expected in 2020, and moreover, we feel the outlook for 2021 is positive for PGG as the global economy, as well as everyone's day to day lives, start to return to normal.

Wishing everyone a Merry Christmas and Happy New Year.

Many thanks

Andrew

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