



# Partners Group

REALIZING POTENTIAL IN PRIVATE MARKETS

## PGG Update – Script (January 19<sup>th</sup> 2021)

Hello, my name is Andrew Bellis. This is an update for unitholders in the Partners Group Global Income Fund and our first update of 2021.

As we reflected on in our last update, 2020 was an unprecedented year in terms of global events and financial markets. We won't reflect more on 2020 but we did note in our last update of 2020 that we hoped for (or better put, predicted) more of a return to normal and in particular, didn't expect anywhere near the same level of financial market volatility in 2021.

Only a few days into the new year and we had an event, in the storming of the US Capitol building, that was unprecedented in nature and again demonstrated how fractured the US seems to be politically. We again refrain from any political comment here, but what was noticeable was how little the market reacted to this event.

The First Lien Senior Secured Loan market saw minimal impact as a result of this event. In the context of a month so far which has continued to see a gradual uptick in secondary prices for First Lien Senior Secured loans, the riots caused the market to pause for breath for a day or so, but nothing more. In our view, this continues to show that the extreme levels of market volatility, which had such an impact on the NTA of PGG via mark to market movements, are behind us.

As we just noted, 2021 has so far continued to see a strong First Lien Senior Secured Loan and Private Debt market. A continued gradual increase in secondary market prices should further support improvement in the NTA of PGG.

Whilst it has been a relatively quiet start to the year in terms of new transaction activity, we are starting to observe a pick up in the level of new transactions coming to the more syndicated market, as well as a healthy pipeline of more direct transactions that we are working on. We believe that, given the accommodative macro back drop and the strong secondary market we are likely to see a very active year in terms of the number of transactions that come to the First Lien Senior Secured and Private Debt markets. We also view this as a positive for the PGG portfolio, we will likely see the level of repayments in the underlying portfolio increase and we will look to redeploy those repayments selectively into new transactions.

One other noteworthy topic which could start to become more relevant this year is the interest rate and inflation environment, or at least the markets view of where that is heading. We are in an unprecedented low interest rate environment globally due to the aggressive policy actions that were taken at the onset of the COVID-19 pandemic. Nowhere was this more notable than in the US where immediately prior to COVID-19 interest rates had started

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to increase. The rapid interest rate cuts in the first half of 2020 in the US led to dramatically falling yields on US Treasuries, with 10 year treasury yield going below 0.5%.

This interest rate movement provided strong support for the fixed income bond markets (government and corporates). However, there are signs that the markets view may be changing. 10 Year US treasury yields are now back above 1%. In particular given the Democrats now, as a result of the Georgia run-offs, control both House and Senate, the market views the likelihood of further fiscal stimulus is significantly higher and as such will ultimately lead to inflation and interest rate rises in the years to come. We would observe that a rising interest rate environment is generally a positive for floating rate instruments (such as the loans held by PGG) over more traditional fixed rate bond investments as they do not suffer the same price volatility on interest rate moves.

We will continue to provide regular updates to our Unitholders throughout the year and we wish everyone a safe and successful 2021.

Many thanks

Andrew

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