



Partners Group

REALIZING POTENTIAL IN PRIVATE MARKETS

PGG Weekly Call – Script (March 25th 2020)

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

Unfortunately since our last call, extreme levels of market volatility have continued across all risk assets (Public Equities, Investment Grade Corporate Bonds, High Yield Bonds and Senior Secured First Lien Loans). However, during this call, we want to continue to emphasize the difference between market volatility and price moves and the actual financial condition and business model of companies that we lend to. We cannot overstate the importance of this message. During the first half of last week we continued to see material price falls in a number of markets (including Senior Secured Loans, High Yield Bonds and Investment Grade Bonds). However, towards the end of last week and early this week we have seen more stability in the markets, including the senior secured loan markets with prices stabilizing and even showing modest increases in the first two days of this week.

The back drop to this is continued aggressive measures from both the central banks and governments for further liquidity and stimulus measures in order to counteract the short-term shock to the global economy (further rate cuts on a global basis, large scale Quantitative Easing by the Fed – which increases money supply - and announced or expected fiscal stimulus measures from Governments). We believe that both central banks and governments will continue to add to stimulus and liquidity support measures given the unprecedented nature of current market conditions.

As we discussed last week, we are required to mark the portfolio to market in order to publish an NTA on an ongoing basis. These published NTAs therefore reflect mark to market movements in the portfolio, where price moves are reflecting the overall fear factor in the market currently and heightened levels of volatility across all risk assets. These price moves are not something that is specific to the PGG portfolio over the broader market. Importantly we do not believe these mark to market movements, in most cases, reflect the fundamental credit quality of the companies within our portfolios but rather reflects the risk-off sentiment currently operating within the global financial markets.

We recognize that during these large market moves it is important to try and give Unitholders more up to date and regular information and we are working to move to publishing the Fund's NTA twice a week as soon as practically possible and will continue to record these podcasts to be made available to investors on our website each week.

As we mentioned in our last call, our day to day focus is on very closely monitoring each of the companies that we lend to and understanding what the impact of the COVID-19 outbreak will be on:

1. Their business model on a short and medium term basis, and, perhaps more critically
2. The company's liquidity position, in particular, over the short and medium term.

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What we are seeing across our portfolio is that companies are moving quickly to cut costs, preserve liquidity and draw down on available Revolving Credit Facilities or other funding lines that are available. We see most companies doing this regardless of the industry they are in on the view that it is important to preserve cash and liquidity due to an excess of caution. As a lender we view these moves as positive to ensure that companies can navigate a period of reduced revenue and have cash on hand if required. We are seeing, even in companies in more exposed sectors that they have liquidity to survive a significant full-stop in their business of 6 months or more. Also, to confirm again, we have no company in the PGG portfolio where there is any sort of payment default under its loan facility to date.

We are also already starting to see some sponsors look to more actively support their businesses where required through further injections of liquidity where there may be a more immediate and severe impact due to the Coronavirus. As we stated on last weeks' call, we believe that sponsors will continue to support companies that they own to address short term liquidity needs. Many of the companies that we lend to have recently been purchased by leading Global Private Equity sponsors at significant multiples with sizeable cash investments. We think it is highly unlikely sponsors will be unwilling to support recently acquired business in order to address what is a short term revenue shock within the company. It is also important to note that many Private Equity sponsors still have a significant amount of money to be able to support their existing businesses.

I would like to again remind Unitholders in terms of what we believe to be the defensive nature of the portfolio:

- PGG has a highly diversified global portfolio of over 300 underlying obligors, with approximately 95% of the portfolio invested in First Lien Senior Secured Loans, the weighted average EBITDA of the portfolio is approximately USD 500m
- First Lien Senior Secured loans benefit from security over the assets of a company and have significant equity capital that ranks junior to them.
- The Portfolio is built on high quality market leading companies owned by some of the largest global private equity firms

As an example, to illustrate the dislocation between market based pricing and what we see as fundamental credit quality, consider the following example:

We lend to at least one large consumer staples business. They produce many of the basic food goods that consumers are stockpiling on a large scale over virus fears and have an enterprise value of several billion dollars supported by a very significant equity investment. We believe a company like this, benefits from the current environment and certainly is not exposed in the same way as many other businesses. However, if we look to the mark-to-market price this would be at approximately 80% of par for the purposes of our NTA. We believe that price reflects the overall market environment rather than a significantly increased likelihood that the company might default.

I would like to remind you of the key summary points we stated last week.

1. We said that we are likely to see a number of government/central bank interventions over the coming days to implicitly support certain sectors of the economy, we have seen this and continue to believe these will be beneficial (although more indirectly than directly).



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2. We still believe that for the vast majority of companies this is about managing through a liquidity issue and we believe management teams and private equity owners will do all they can to ensure support through this.
3. Fear factor remains and market volatility will continue to be high but companies continue to pay interest on their loans and we will continue to distribute that according to our distribution policy
4. There will be companies that suffer financial stress and we will look at all possible methods to protect our position as a lender in these cases however it will still take some time for these situations to occur, if they do. As stated before, we have not seen such situations yet.
5. As mentioned at the start, we will seek to provide these updates on a regular basis to ensure our investors are aware of market and portfolio developments to the extent we are permitted to disseminate the information through these calls.

Finally, I hope everyone and their families are safe in what is clearly a very difficult situation on a global basis

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