



Partners Group

REALIZING POTENTIAL IN PRIVATE MARKETS

PGG Weekly Update – Script (April 30th 2020)

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

The themes we discussed in our most recent weekly update are still very relevant – with a broader sense of stability continuing when compared to the large market moves we saw in March. The only real exception to this continues to be the extreme levels of volatility within the Oil and Oil futures market.

We observe the same competing themes we talked about last week – optimism over gradual declines in COVID-19 infection and death rates leading to discussions on various economies re-opening versus continued negative headlines in terms of economic data and views that further economic pain is to come. As such, the market, be that global equity indices, but more relevant to PGG, the First Lien Senior Secured Loan market, is seeing much smaller moves in terms of quoted prices on a day to day basis with no material change over the last week.

It is worth noting, much more thought and discussion is now going towards how economies will gradually re-open over the coming weeks and it is also important to ensure that any re-opening doesn't result in a new spike in infections. This is a far cry from where we were about a month ago when it wasn't clear that economies would reopen at all for a number of months.

We are seeing many European economies and certain states within the US starting to gradually implement re-opening strategies. What we are seeing is certain sectors such as construction and manufacturing are among the first areas to restart alongside smaller retail outlets in some instances. What is clear is the pace of re-opening is varying by country and even within countries, it is also clear it will not be a quick snap back to the same economic landscape pre-COVID-19. A return to normalcy will take some time and in particular, for sectors that rely on large gatherings of people, these will be the slowest to return and when they do, they are likely to have a very different dynamic given the need for social distancing protocols to remain in effect for a more considerable period of time.

As such, we feel further broad asset price recoveries are less likely unless there is a material breakthrough in treatment or a vaccine. We think asset price movements will be much more company and sector specific as the various parts of the economies emerge from their shutdowns.

It is however comforting to note that governmental support continues for the broader economy, with the US for example, quickly moving to replenish its Small Business Assistance program and discussions now starting on a fourth stimulus package, this time, more geared towards local government. This is a key difference to the Global Financial Crisis (GFC) in our view. The GFC was not a government mandated shutdown and thus widespread government support was much slower in coming and was viewed somewhat negatively as a “bailout for bankers”. This time, governmental support has been quick and large scale, with no-one perceived to be “at fault”.

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Whilst this view does not mean governments will bail out all companies, it does demonstrate a key difference to the GFC in terms of a broader level of support for the broader economies to withstand the current shutdowns.

We will continue to carefully assess the underlying companies within PGG and in particular, how they are positioned for the various phases of economies re-opening. As we have discussed in the past, those companies that we lend to that are more impacted by the economic shutdown have moved quickly to address liquidity needs over the coming months and in general, have liquidity at hand to withstand a more prolonged shutdown than is now being envisaged. There are therefore reasons for optimism, however, as lenders, we remain cautious by nature and do think it will take some time for companies to start to feel the benefit of a gradual reopening.

We are also starting to see some level of new activity in the First Lien Senior Secured Loan market. This is also a positive sign and we will look to discuss this more in next week's update if this activity continues.

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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