

Product Assessment

Report data as at 31 Dec 2019
Rating issued on 30 Jan 2020

Partners Group Global Value Fund (Wholesale)

VIEWPOINT

The Fund, managed by Zug-based Partners Group Holding AG (Partners Group), provides investors with access to a partially hedged, diversified portfolio of private market investments with monthly liquidity. Zenith's high conviction is underpinned by the Fund's robust and repeatable investment process, coupled with a deep and well-resourced investment team. In an environment where competition for private market assets is increasing, Zenith considers the firm's ability to partner with investee companies and generate value from a range of sources as a key competitive advantage. Further, as the sub-category continues to expand in Australia, Zenith's relative conviction has increased.

Partners Group is a global private markets investment management firm with investment programs across private equity, private debt, private real estate and private infrastructure. The firm manages a broad range of limited partnerships and customised portfolios for institutional and high net worth investors.

The Global Investment Committee (GIC) governs the firm's overall investment approach and oversees the final investment decisions for all private markets investments. Zenith holds the members of the GIC in high regard owing to their extensive experience and track record in private market investing.

The GIC is supported by six Specialised Investment Committees (SIC) which are responsible for investment pre-selection in their respective private market segments i.e. primaries, directs and secondaries. Each SIC receives investment proposals from Specialist Investment Teams (SITs) who each specialise in the aforementioned sub-sectors. Zenith believes the SITs are well resourced and of high calibre which provides the Fund with ample high-quality investment opportunities.

The Fund invests in a mix of primary investments, secondary investments, direct deals and private debt. The investment process commences with the setting of a top-down asset allocation, which identifies the most attractive regions, sectors, private market segments and investment types. Based on these guidelines, the portfolio management team selects a range of underlying investments, ensuring the portfolio is appropriately diversified across sub-sectors, regions, industries, J curve profiles and vintage years.

A capital commitment strategy is continuously implemented, to ensure the Fund can secure private markets capacity and at the same time, meet its capital call and liquidity requirements. Partners Group have developed a number of internal proprietary systems which support the steering of mandates and management of evergreen private equity funds.

The IVC team which actively works with each company to drive value additive initiatives in line with the objective of extracting maximum return from each investment. The level of Partners Group's involvement is contingent on the opportunity for operational improvements and can range from appointing an interim full-time executive to developing operational improvement plans with senior management.

In Zenith's opinion, the IVC is a key point of differentiation, responsible for most of the firm's asset value creation. Given Zenith's observation that there is greater competition amongst private equity transactions that has resulted in higher earnings multiples, the role of the IVC becomes increasingly crucial to the outperformance of the Fund.

FUND FACTS

- Provides exposure to a diversified portfolio of private market investments
- Monthly liquidity (subject to 5% per quarter redemption limit at the Master Fund level)
- Currency is 70% hedged back to the \$A

APIR Code

ETL0276AU

Asset / Sub-Asset Class

Alternatives
Private Equity

Investment Style

Diversified

Investment Objective

To obtain returns and capital growth over the medium and longer-term by investing in the various forms of private equity. Partners Group expects that the net annualised returns for the Fund will be between 10% and 12%.

Zenith Assigned Benchmark

MSCI World ex Aust \$A (Hgd)

Net Returns (% p.a.)

	5 yrs	3 yrs	1 yr
Fund	10.87	10.93	12.71
Benchmark	10.01	12.04	26.81
Median	10.53	11.43	12.87

Income (% p.a.)

	Income	Total
FY to 30 Jun 2019	0.00	13.64
FY to 30 Jun 2018	0.00	11.24
FY to 30 Jun 2017	0.00	10.07

Fees (% p.a., Incl. GST)

Management Cost: 1.75%
Performance Fee: Applied within the underlying Fund on a deal-by-deal basis

ABSOLUTE RISK (SECTOR)



RELATIVE RISK (FUND WITHIN SECTOR)



INCOME DISTRIBUTIONS PER



INVESTMENT TIMEFRAME



APPLICATIONS OF INVESTMENT

SECTOR CHARACTERISTICS

The Zenith 'Alternatives – Private Equity' sub-sector consists of managers that invest in unlisted or private companies to achieve high returns, typically exceeding those available in public listed markets. A key differentiating aspect of private equity investing is the relationship between the private equity manager and the company, which typically involves board representation and collaboration on a number of strategic initiatives to grow revenues and ultimately profitability.

Within the private equity sector, there is a risk continuum of investment strategies, ranging from early stage venture capital (VC) companies to mature companies that are being prepared for an initial public offering (IPO). Consistent with the underlying risks, the return expectations across different types of private equity strategies varies significantly, with VC companies offering the highest expected returns.

Key features of investing in private equity include the following:

- **Illiquidity** - Given the nature of the underlying assets, private equity is generally a long-term investment with limited liquidity (generally at the end of a pre-defined investment period). Thus, it is common for private equity funds to be managed with long lock-up periods, redemption limits and lengthy notice periods.
- **J-Curve Effect** - The return profile of private equity typically exhibits a J curve where negative or muted returns are experienced in the early years, followed by strong outsized returns as investments mature and are realised. It's important for private equity managers to manage the vintage of their portfolio, ensuring capital is allocated to a mix of early and late stage investments.
- **Volatility** - Private equity assets typically exhibit lower volatility compared to their listed market equivalents. This is due to the frequency of valuations e.g. quarterly or semi-annually, and also the valuation methodologies applied i.e. cashflow/earnings multiples.

Zenith benchmarks all funds in the 'Alternatives – Private Equity' sub-sector against the MSCI World ex-Australia \$A (Hedged) Index.

PORTFOLIO APPLICATIONS

Zenith believes private market investing provides investors with a differentiated avenue of generating returns than from listed equity investments. Private market investing typically generates a return stream that offers diversification for an investment portfolio, given the low level of volatility inherent in private market returns, which historically have also been lowly correlated to the returns from listed equity investments.

The Fund provides retail investors with the ability to access private market investments, with a low minimum investment and monthly liquidity. The latter is improved via the Fund's monthly liquidity facility, which Zenith believes is a key competitive advantage relative to traditional private market investments that tend to be managed under more illiquid fixed term structures. However, Zenith notes that the monthly liquidity facility is subject to gating provisions which restricts redemptions to no more than 5% of the Master Fund's shares on issue at the end of the previous calendar quarter.

Zenith believes that the Fund may also be used to complement and diversify a global equities exposure within an investor portfolio. Given the nature of investing in private companies, Zenith views the Fund as a growth investment, thus it should be used within the growth component of an investor portfolio. Investors should consider this Fund with a minimum five-year investment timeframe in mind.

The Fund utilises a feeder fund structure, where the Australian unit trust invests in the offshore Master Trust. Generally, realised gains (losses) and income (expenses) will be realised at the Master Trust level and likely retained within the Australian unit trust in the form of a unit price increase (decrease). The Fund is expected to only realise the capital movement in the unit price of the Master Trust; therefore, investors should anticipate that the Fund will not distribute a significant portion of returns in the form of income. Zenith recommends investors seeking advice regarding the tax implications of a feeder fund structure should see their tax specialist.

RISKS OF THE INVESTMENT

SECTOR RISKS

Funds within the 'Alternatives – Private Equity' sub-sector are exposed to the following broad risks:

COMMITMENT RISK: Investment in private equity requires capital commitments and the provision for uncalled capital. As such, there is a risk that a manager may be over-committed and may need to sell illiquid assets at a discount to meet capital requirements. Conversely, a manager may provision excessive liquidity or cash which can lead to a cash drag on performance.

LIMITED REDEMPTION RISK: By nature, private equity investments are long term and illiquid investments. Whilst private equity managers often have liquidity measures in place to facilitate investor redemptions, investors may be limited by how much of their investment can be withdrawn at any one time.

VALUATION RISK: There are various methods to value private equity investments including market-based approaches i.e. comparable transactions, market multiple comparisons (of peer companies) and valuation-based approaches such as discounted cashflow (DCF), earnings multiples measures etc. Therefore, there is the potential for subjectivity in the valuation process resulting in the potential over-statement of the value of portfolio companies.

MANAGEMENT EXECUTION RISK: Private equity investments rely on cooperation between the manager and senior management of the underlying portfolio companies, to execute value-add strategies and initiatives. In cases where collaboration is low and senior management underperforms, performance may be adversely impacted.

J-CURVE RISK: Some private equity funds may deliver muted or negative returns in the early years of investment. This is primarily due to the time lag between a private equity manager acquiring a portfolio company and then implementing a range of growth and/or revenue initiatives. These muted returns are generally followed by strong outsized returns as investments mature and are realised.

REGULATORY RISK: The ASIC Regulatory Guide 97 'Disclosing Fees and Costs in PDSs and Periodic Statements' came into effect on 1 October 2017, and seeks to establish a common framework for disclosing fees with respect to registered managed investment schemes issued to retail investors.

In January 2019, ASIC released a Consultative Paper (CP), seeking feedback with respect to proposed changes to the existing fee and cost disclosure regime. The consultation period ends in April 2019, following which, ASIC will collate feedback and structure final recommendations, notifying of an intended implementation period.

In its current form, RG97 is not expected to impact the actual costs (or net returns) on existing investments. Rather, the guide is focused on providing increased transparency with respect to the costs of management. Given this, it is feasible that under RG97, investors become more sensitive to the costs charged and seek lower cost alternatives, potentially leading to fund outflows.

FUND RISKS

Zenith has identified the following key risks of the Fund. Although Zenith believes the risks noted are all significant, we have listed them in order of importance. In addition, we have not intended to highlight all possible risks.

LIQUIDITY GATING RISK: Zenith notes that the monthly liquidity facility is subject to gating provisions which restricts redemptions to no more than 5% of the Master Fund's shares on issue at the end of the previous calendar quarter. This may be restrictive for investors seeking to liquidate their holding or reallocate capital within a portfolio.

LEVERAGE RISK: The Fund may establish credit lines to borrow up to 25% of its NAV, however, such borrowing is only permitted for the purpose of satisfying withdrawal requests. The increased investment exposure resulting from borrowing may increase the volatility of the Fund's unit price by potentially magnifying gains and losses. Zenith notes however, that Partners Group has not had to utilise this function since the inception of the Fund's strategy.

DILUTION RISK: The Fund invests in underlying unlisted investments of differing vintages through time. As the Fund receives new investor flow, the exposure of existing investors to previous vintages will be progressively diluted, whilst the new monies are invested into newer or other vintages. This aspect of the Fund's process may either be to the benefit or cost of Fund performance depending on the performance of the respective vintages.

COMPETITION RISK: Zenith has observed increased competition for private equity assets, which has resulted in transactions being completed at higher earnings multiples. As such, there is a risk of more muted returns from the strategy going forward. However, this risk is moderated due to our conviction in the Industry Value Creation (IVC) team that is able to drive value additive initiatives irrespective of increasing earnings multiples.

QUALITATIVE DUE DILIGENCE

ORGANISATION

Partners Group Holding AG (Partners Group) was founded in 1996 in Switzerland and is headquartered in Zug. It was founded by ex-Goldman Sachs bankers Alfred Gantner, Marcel Erni, and Urs Wietlisbach. The firm was floated on the Swiss stock exchange in 2006 (PGHN:SIX).

Partners Group is a global private markets investment management firm with investment programs across private equity, private debt, private real estate and private infrastructure. The firm manages a broad range of limited partnerships and customised portfolios for institutional and high net worth investors.

In addition to its headquarters in Zug, Switzerland, Partners Group has offices in most of the major regional centres.

As at 31 December 2019, the firm manages approximately \$US 94 billion. Partners Group's employees are the largest shareholder and effectively control the firm. Partners Group's third-party shareholders are predominantly large institutions.

As at 30 November 2019, Partners Group managed approximately \$A 5.87 billion in FUM in the Global Value strategy, which includes \$A 1.63 billion in the Australian Fund.

INVESTMENT PERSONNEL

Name	Title	Tenure
René Biner	Chairman - Global Investment Committee	21 Yr(s)
Dr Stephan Schali	Chief Investment Officer	21 Yr(s)
Andreas Baumann	Head of Private Equity Integrated Investments	16 Yr(s)
Walter Keller	Private Equity - Europe	22 Yr(s)
Christoph Rubeli	Co-Chief Executive Officer	22 Yr(s)
Dr. Michael Studer	Chief Risk Officer & Head of Portfolio Solutions	19 Yr(s)
Dr. Marcel Erni	Co-Founder & Member of the Board of Directors	24 Yr(s)
Alfred Gantner	Co-Founder & Member of the Board of Directors	24 Yr(s)

Partners Group's investment team is comprised of four separate groups, each responsible for a discrete part of the investment process.

The Global Investment Committee (GIC) governs the firm's overall investment approach and is informed of all investment opportunities from an early stage and oversees the final investment decisions for all private markets investments. The GIC is comprised of Partners Group's most senior investment personnel and is chaired by Rene Biner. Zenith holds the members of the GIC in high regard owing to their extensive experience and track record in private market investing.

The GIC is supported by six Specialised Investment Committees (SIC), which are responsible for investment pre-selection and deal development within their respective private market segments and for approving investments, subject to the type and size of the deal. Each SIC is comprised of the most senior investment professionals within each respective private market segment.

The GIC, as well as the SICs, meet on a weekly basis and are responsible for the Fund's compliance with Partners Group's top-down asset allocation and ensuring that the investment strategy, team composition, track record, relative market positioning, terms and conditions of potential investments have been checked and meet Partners Group standards.

Each SIC receives investment proposals from six respective investment teams that specialise in the various private market segments. These teams are referred to as Specialist Investment Teams (SIT) with 240 investment professionals working across these teams as at 31 December 2019. As part of their assessment of each potential investment, the SITs will evaluate market analysis, value creation potential and sensitivity analysis. Zenith believes the SITs are well resourced and of high calibre which provides the Fund with ample high-quality investment opportunities.

The Industry Value Creation (IVC) team is responsible for working with each company to drive revenue growth, implement cost-saving initiatives and promote operational efficiencies. The team is co-led by Frederik Henzler and Christian Unger and is comprised of over 40 investment professionals as at 31 December 2019. While the background of the team is diverse, a common thread is the level of management consulting and/or industry experience. Zenith is highly supportive of the IVC structure, noting the high level of industry expertise as a key competitive advantage.

The portfolio and risk management team is comprised of more than 30 quantitative specialists and risk managers. The team conducts the implementation of approved investments independently from the SICs and SITs. The team is also responsible for the risk management process of the Fund and its adherence to its defined investment mandate.

Zenith notes that Partners Group has in place a strong succession planning framework. This is demonstrated through widely dispersed management responsibilities (mitigating key person risk), long-term equity participation initiatives (designed to align the interests of the investment team and the investors) and a dedicated recruitment and staff retention program. All investment staff have significant lock-in through vesting equity participation which is tied into the success of Partners Group. This also provides for an alignment of interests between the investment staff and investors.

Zenith believes the investment team is the strongest within the peer group owing to a deep pool of highly capable and experienced investment professionals. We are favourable of the structure in which the GIC provides oversight to ensure Partners Group's views are maintained throughout the strategy. In addition, the support by teams such as the SICs, SITs and IVC team, provides Zenith with the confidence that the Fund will be able to deliver consistently competitive returns over the long term.

INVESTMENT OBJECTIVE, PHILOSOPHY AND PROCESS

The Fund's investment objective is to obtain returns and capital growth over the medium and long term by investing in the various forms of private markets. More specifically, Partners Group expects the Fund to generate net returns of between 10% p.a. and 12% p.a. Partners Group invests the Fund's assets by allocating capital such that it is broadly diversified

across the different types of private market investments.

The Fund invests across primary investments, secondary investments, direct investments (including private equity and private debt). The Fund seeks to generate returns from investing across these broad segments whilst meeting the liquidity requirements for the Fund's monthly liquidity facility. Zenith considers this a key competitive advantage of the Fund relative to traditional private market investments, which tend to be managed under more illiquid fixed term structures.

Partners Group makes investment decisions using a three-layer approach, which starts with a top-down allocation strategy, then a bottom-up, valuation investment selection process and finally a capital commitment strategy.

The top-down process provides a mechanism for allocating the Fund's capital across geographic regions, industry sectors, private market investment types (primary, secondary and directs) and financing stages (buyouts, venture capital and special situations).

The bottom-up process aims to identify investments within each segment that have sufficient quality and value to be included into the Fund's portfolio. This includes market and sensitivity analysis as well as considerations for value creation potential.

The commitment strategy is a mechanism used to manage and control the use of cash and timing of making investments in the Fund. Partners Group considers commitments and the timings of potential investments and the effect they have on the cash levels of the Fund in conjunction with meeting the liquidity requirements of the Fund.

In sum, Zenith believes that Partners Group employs a robust and repeatable investment process that combines top-down and bottom-up elements to produce a well-diversified portfolio of high-quality investments. In addition, the Fund's adherence to liquidity requirements and stringent management of cash levels is a key feature of the Fund.

SECURITY SELECTION

The investment process commences with the GIC defining investment priorities based on the global economic outlook, the status of financial markets and a qualitative assessment of the current private market landscape. This process is undertaken on a semi-annual basis and assists in identifying the opportunity set for the firm's various private market segments.

The relative attractiveness of primary, secondary and direct investments is analysed based on criteria such as availability, pricing and the potential of the opportunities within each segment. The GIC also discusses the attractiveness of different geographic regions and investment types. The output of the relative value analysis is then implemented through Partners Group's investment selection and due diligence process.

The investment selection and due diligence process is undertaken collectively by Partners Group's SICs and SITs. The six SICs and SITs that provide investment opportunities to the GIC are noted below:

1. Private equity primaries Asia, MENA & emerging markets
2. Private equity primaries Europe

3. Private equity primaries North America
4. Private equity directs
5. Private debt
6. Private equity secondaries

Each SIC and SIT follows a globally consistent investment selection process which includes five steps, some of which occur concurrently. The process starts with proactive deal generation and pre-selection, continues with a thorough two-step due diligence process, and concludes with the execution and subsequent monitoring of an investment.

Zenith believes that the sourcing of opportunities within private markets is a competitive advantage. We believe that Partners Group has a strong record of sourcing deals due to its high profile within the industry.

In its role as an investor and advisor to investments across the private market spectrum (primary, secondary and direct), Partners Group is well placed to gather and combine information from each of these sources. Through the benefits of vertical integration, Partners Group has access to proprietary private company information, which would not generally be available in the public domain. The private debt and bank markets are another source of information for a number of the underlying strategies. This information is stored in Partners Group's proprietary Navigator database where more than 36,000 private equity owned companies are closely monitored. Partners Group creates transaction ideas based on the information stored in the Navigator database.

The two-step due diligence process involves a combination of qualitative and quantitative analysis and will generally be based on the following:

- Reports from third parties such as consultants, accountants, lawyers, and investment partners
- Meetings with the management team
- Onsite visits
- Reference calls with parties related and unrelated to the investment target (such as independent industry experts)
- Tax and legal analysis by internal and external experts

Proposed investments are presented to the GIC by each respective SIC and these are selected on the basis of relative value against other opportunities, projected cash flow and portfolio requirements. The execution of approved investments is conducted independently by the portfolio and risk management team. Post investment, each SIC and SIT continues to monitor the investment via a combination of update calls, visits, advisory board participation and benchmarking performance.

The IVC team actively works with each company to drive value additive initiatives in line with the objective of extracting maximum return from each investment. The level of Partners Group's involvement is contingent on the opportunity for operational improvements and can range from appointing an interim full-time executive to developing operational improvement plans with senior management.

In Zenith's opinion, the IVC is a key point of differentiation, responsible for most of the firm's asset value creation. Given Zenith's observation that there is greater competition amongst private equity transactions that has resulted in higher earnings

multiples, the role of the IVC becomes increasingly crucial to the outperformance of the Fund.

Zenith believes Partners Group's security selection process is well structured and disciplined, taking full advantage of the vast and high calibre investment team.

PORTFOLIO CONSTRUCTION

The Fund is managed in accordance with a Strategic Asset Allocation (SAA) which is determined by the GIC with input from the firm's investment professionals. In addition, Partners Group's macroeconomic research team regularly analyses long-term macroeconomic trends and correlations between different markets and their potential effects on the Fund.

The long-term target allocation weights (as at 31 December 2019) for the Fund are:

- Investment Types: 60% in primaries, 20% in directs (equity or debt), 10% in secondaries and 10% in listed private equity
- Financing stages: 65% in buyout, 15% in venture capital and 20% in special situations
- Geographic Regions: 50% in Europe, 30% in North America and 20% in Asia and Rest of the World

While these are the long-term target allocations, Partners Group uses relative value analysis to identify areas (investment types, financing stages and geographic regions) with the greatest investment potential. As such, it is expected at any given point in time, the Fund's actual allocations may deviate from the long-term target.

Once the most attractive private market segments have been determined by the relative value analysis, Partners Group can then allocate capital to particular investment opportunities within the established allocation ranges that are defined as per the Fund's SAA.

Zenith has observed increased competition for private equity assets, which has resulted in transactions being completed at higher earnings multiples. While there is a risk of more muted returns from the strategy going forward as a result of these increased multiples, Zenith believes that the Fund remains well placed to deliver competitive returns. This can be attributed to the roles of the IVC and deals teams to ensure value opportunities continue to be identified even in expensive environments.

Investment level steering is a term that Partners Group uses to describe the continuous process of adjusting the commitment level (i.e. capital that the Fund is committed to deploying, either existing or in the future, for particular private market investments) of the Fund, with the view to maximising private markets exposure over time subject to liquidity considerations.

The portfolio and risk management team uses a sophisticated, proprietary model to forecast the cashflows associated with the firm's private markets investments. Based on this analysis, Partners Group estimates the expected risks of a private market investment and makes the necessary changes to manage the levels of those risks. In particular, cashflow forecasting is used on a rolling 12-month basis to determine the amount of commitments and investments that are determined to be required to achieve the desired level of invested capital or "investment level."

This cashflow management strategy may involve a degree of over-commitment, which is typically necessary to build and maintain a full investment level. Over time, should there be any liquidity issues arising from an over-commitment strategy, these may be addressed through temporary credit facilities or a reduction of portfolio investments. Zenith notes that to date, Partners Group has not had to utilise any credit facilities since the inception of the Fund's strategy, reflecting the effectiveness of Partners Group's cashflow management strategy. In addition, it is the effective implementation of the Fund's cashflow management strategy that allows the Fund to be offered with monthly liquidity for investors.

The Fund is 70% hedged in AUD using FX forwards rolled on a quarterly basis by the portfolio and risk management team. Zenith notes that the hedge ratio of 70% is arbitrarily set and would prefer to see greater robustness in the setting of the hedge ratio.

Overall, Zenith believes Partners Group's portfolio construction approach follows a consistent and transparent process. We also note that the Fund's cashflow management strategy provides the Fund with a distinct competitive advantage relative to traditional private equity investments.

RISK MANAGEMENT

Portfolio Constraints	Description
Net Redemptions per Quarter (%)	max: 5% As percent of shares issued at the beginning of the calendar quarter
Net Subscriptions per Financial Year (%)	max: 25% As a percentage of shares issues at the beginning of the financial year
Single Commitment Limit (%)	max: 20%
Maximum Borrowing (%)	max: 25%
Cash Limit (%)	max: 10% Soft limit
Hedging Ratio	70%
ESG Excluded Sectors	N/A

Risk management is an integral part of the Fund's investment process and is addressed in a number of ways.

At the investment selection stage, the detailed level of research and due diligence undertaken by the SICs and SITs prior to investment serves to manage investment specific risk. The multi-committee decision making process also ensures that a wide range of issues are addressed and debated prior to any investment decision. Post-execution, each investment is closely and regularly monitored.

The portfolio and risk management team is responsible for quantitative measurement and management of portfolio risks of the Fund to ensure adherence to investment guidelines. Partners Group's investment risk control activities are based on proprietary quantitative models and stringent control processes.

There are regular risk reports generated that are designed to

monitor and evaluate risks associated with the underlying investments and the portfolio in general. Such reports include; views on regional allocations and concentration limit breaches.

Environmental, Social and Governance (ESG)

Partners believes that integrating ESG is important to enhance investment returns by mitigating risks posed by ESG factors as well as identifying opportunities that can enhance returns. ESG is primarily integrated within the due diligence section of the process. Investment teams will assess various ESG factors through a wide range of sources including in-house knowledge as well as external sources including ESG consultants. Zenith believes Partners adequately incorporates ESG into the investment process.

Overall, Zenith views Partners Group's risk management practices as comprehensive, supported by appropriate systems in place to monitor exposures at both the portfolio and underlying investment level. We also hold a favourable view on the independence of the portfolio and risk management team and their integration within the overall investment process.

ADMINISTRATION AND OPERATIONS

The Master Fund may charge a redemption fee of 5%, which will be charged by the Fund's Responsible Entity via a 5% sell spread in exceptional circumstances. This 5% sell spread is not applied in the normal course of trading and has not been charged since the Master Fund's inception in May 2007.

The Master Fund provides a monthly liquidity facility subject to gating that restricts redemptions to no more than 5% of the Master Fund's shares on issue at the end of the previous calendar quarter.

The Responsible Entity may suspend withdrawals from the Fund should the Fund's assets become illiquid.

Operations

Partners Group has written operational procedures with guidelines and control systems that ensures that trades/deals are correctly booked and accounted.

The control system is monitored by the Partners Group's internal audit team.

Service Providers

The service providers to the Fund are:

Administrator

Link Fund Solutions

Custodian

The Northern Trust Company

Responsible Entity

Equity Trustees Limited

Service Providers (Master Fund)

The service providers to the Master Fund are:

Investment Adviser

Partners Group AG

Custodian

LRI Invest S.A.

Auditor

PricewaterhouseCoopers

Legal Advisors

Elvinger, Hoss & Prussen

Zenith prefers simple structures, where the investment manager acts with the same fiduciary responsibility as a trustee. We recognise that this is not always practical but highlight that there are a number of parties involved in the operation of the investment objectives. There may be times when the interests of all those involved are not aligned.

Pricing

For the Master Fund, the value of each share is determined by the Administrator as of the close of the last business day of each calendar month and is usually available on the 25th calendar day of the next month. Different securities are valued according to the availability of pricing information. Cash and cash equivalents are brought into the books at the full amount. For listed securities, the closing mid-price is used.

For the more illiquid investments Partners Group has developed methods to perform valuations.

The Master Fund's holdings of direct investments are initially brought onto the books of the Master Fund at cost. Thereafter, valuations attributed to these assets are ascribed by Partners Group, in accordance to the valuation process mentioned below.

For self-valuations, Partners Group has established (and documented) a monitoring and valuation process based on fair valuation principles in accordance with International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounting Principles (US GAAP), which is annually discussed and approved by the auditors of products managed by Partners Group. With regards to Partners Group external audit process, the external auditor for the Master Fund, PricewaterhouseCoopers S.à r.l, is responsible for performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation.

Zenith highlights the potential conflict of interests in a manager generating self-valuations. This is a blanket caution, but we consider the process at Partners Group to be sufficiently rigorous given its extensive track record, wide client base and the independent scrutiny from external auditors.

In the risk section we highlight the issue with valuations of companies and entities based in countries using different accounting standards. While the Fund and the Master Fund prepares accounts using IFRS and US GAAP, the inputs may not be to the same standard.

Transparency

Partners Group provided Zenith with the documentation that we have requested. This has included amongst other things

the provision of a completed due diligence questionnaire, offering documents and previous audited accounts. Zenith has also interviewed the Fund's senior management as part of this Fund review.

Personal trading

Partners Group has strong rules regarding allowing personal account transactions alongside client orders. Personal account trades must be approved by Compliance prior to execution to ensure that there is no conflict of interest with any Partners Group fund or client account.

Compliance

Partners Group has a compliance team to oversee and ensure compliance with the laws, regulations, and obligations applicable to Partners Group in various jurisdictions. Each Partners Group office has an appointed regional compliance officer who is responsible for compliance in the relevant regions. A team of 33 regional compliance officers report on compliance related matters directly to the firm's general counsel.

EQT has lodged a compliance plan with ASIC for the Fund, which describes the procedures used by EQT to comply with the Corporations Act and the Constitution of the Fund. Each year the compliance plan for the Fund is audited and the audit report is lodged with ASIC.

INVESTMENT FEES

The sector average management cost (in the table below) is based on the average management cost of all flagship Alternatives - Private Equity funds surveyed by Zenith.

The Fund charges a management cost of 1.75% p.a. There are no performance fees payable by the Fund, however, there are performance fees payable by the Master Fund on direct investments (15%) and secondary investments (10%), on a deal by deal basis, where an internal rate of return of at least 8% p.a. has been achieved. Direct debt investments have a 10% performance fee subject to a 4% p.a. hurdle

The Master Fund can invest in listed private equity investments and fund of private equity funds, which may result in a possible double or, in some instances, triple layer of fees and expenses for investors. Investors in the Fund will indirectly bear the management and advisory fees charged by the investment managers of the various private equity funds, funds of private equity funds and listed private equity investments in which the Master Fund invests.

Notwithstanding the above, Zenith believes the overall fee structure for the Fund is reasonable given the unique nature of the Fund's strategy and that the fees charged are on an invested funds basis as opposed to committed funds for traditional private market investments.

(The fees mentioned above are reflective of the flagship version only, fees may differ when the product is accessed through an alternate investment vehicle such as a platform.)

Fees Type	Fund	Sector Average (Wholesale Funds)
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Management Cost	1.75% p.a.	1.81% p.a.
	Description	
Performance Fee	Applied within the underlying Fund on a deal-by-deal basis	

PERFORMANCE ANALYSIS

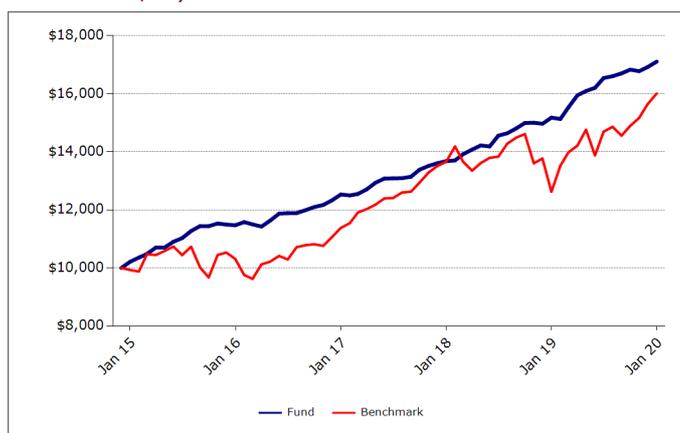
Report data: 31 Dec 2019, product inception: Jun 2012

Monthly Performance History (% , net of fees)

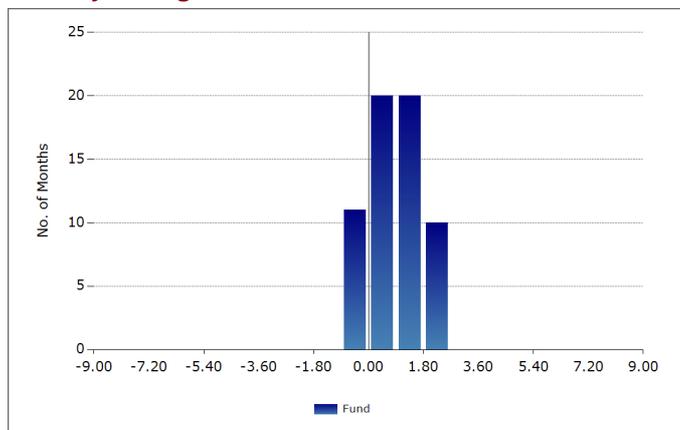
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	FUND YTD	BENCHMARK YTD
2019	-0.31	2.64	2.67	0.93	0.68	2.09	0.37	0.59	0.77	-0.31	0.86	1.10	12.71	26.81
2018	0.19	1.57	1.13	1.01	-0.24	2.61	0.58	1.14	1.26	0.06	-0.24	1.41	10.96	-7.58
2017	-0.25	0.39	1.28	1.78	1.13	0.03	0.05	0.37	1.87	0.95	0.68	0.53	9.16	20.02
2016	0.96	-0.69	-0.65	1.80	2.07	0.13	0.03	0.85	0.88	0.60	1.29	1.65	9.24	10.35
2015	1.46	1.19	2.12	-0.01	1.88	1.13	2.23	1.50	-0.03	0.80	-0.31	-0.22	12.35	3.82

Benchmark: MSCI World ex Aust \$A (Hgd)

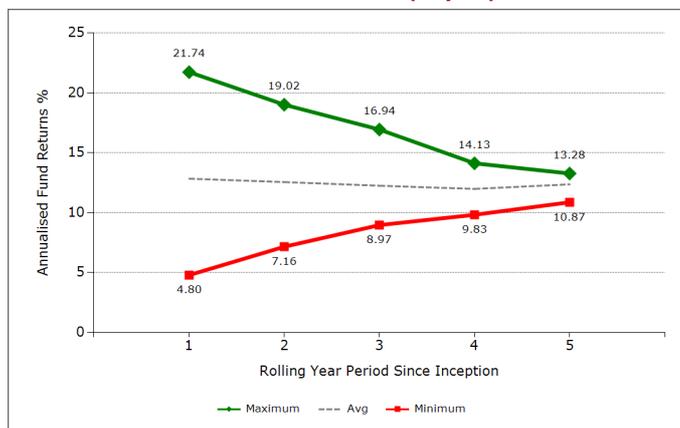
Growth of \$10,000



Monthly Histogram



Minimum and Maximum Returns (% p.a.)



ABSOLUTE PERFORMANCE ANALYSIS

Return	Incpt.	5 yr	3 yr	1 yr
Fund (% p.a.)	12.18	10.87	10.93	12.71
Benchmark (% p.a.)	14.31	10.01	12.04	26.81
Median (% p.a.)	14.46	10.53	11.43	12.87
Ranking within Sector	Incpt.	5 yr	3 yr	1 yr
Fund Ranking	2 / 2	1 / 2	3 / 3	3 / 3
Quartile	2nd	1st	3rd	3rd
Standard Deviation	Incpt.	5 yr	3 yr	1 yr
Fund (% p.a.)	3.33	2.93	2.84	3.29
Benchmark (% p.a.)	10.13	11.15	10.82	11.36
Median (% p.a.)	3.80	7.26	3.63	3.29
Downside Deviation	Incpt.	5 yr	3 yr	1 yr
Fund (% p.a.)	0.52	0.50	0.33	0.40
Benchmark (% p.a.)	5.78	6.76	7.11	5.88
Median (% p.a.)	0.62	3.63	0.56	0.40
Risk/Return	Incpt.	5 yr	3 yr	1 yr
Sharpe Ratio - Fund	2.98	3.06	3.25	3.41
Sortino Ratio - Fund	18.94	18.04	28.29	27.99

For performance analysis purposes, Zenith benchmarks all funds in the 'Alternatives - Private Equity' sub-sector against the MSCI World ex Aust Hedged \$A (Net dividends reinvested). This is not the Fund's stated benchmark.

The commentary below is as at 31 December 2019.

The Fund targets absolute returns of 10% p.a. to 12% p.a. on a net of fees basis.

The Fund has achieved its performance objective over all periods of assessment. The Fund's volatility, as measured by Standard Deviation, has been low in absolute terms, which is expected for private assets given their less frequent valuation periods.

On a risk-adjusted basis, the Sharpe Ratio has been strongly positive over the long-term, thus investors have been rewarded for the absolute risk inherent in the Fund's strategy. That said, this is in part due to the suppressed volatility experienced by

private assets.

RELATIVE PERFORMANCE ANALYSIS

Alpha Statistics	Incpt.	5 yr	3 yr	1 yr
Excess Return (% p.a.)	-2.13	0.86	-1.11	-14.10
% Monthly Excess (All Mkts)	40.66	45.00	33.33	25.00
% Monthly Excess (Up Mkts)	20.59	25.00	20.00	10.00
% Monthly Excess (Down Mkts)	100.00	100.00	100.00	100.00
Beta Statistics	Incpt.	5 yr	3 yr	1 yr
Beta	-0.02	0.00	0.00	0.03
R-Squared	0.00	0.00	0.00	0.01
Tracking Error (% p.a.)	10.82	11.49	11.20	11.49
Correlation	-0.05	0.01	0.00	0.10
Risk/Return	Incpt.	5 yr	3 yr	1 yr
Information Ratio	-0.20	0.07	-0.10	-1.23

The commentary below is as at 31 December 2019.

Zenith seeks to identify funds that can outperform in over 50% of months in all market conditions, as we believe this represents consistency of manager skill. Given the nature of the underlying investments, it is problematic to measure the level of excess returns relative to the Zenith assigned benchmark over the short term.

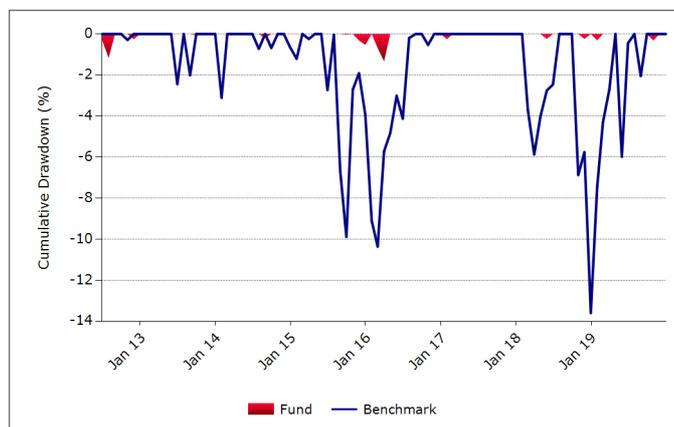
Zenith notes that the Fund has demonstrated a low beta and correlation to global equity markets (listed) over all periods of assessment, which highlights the attractive diversification properties of holding private equity investments within a multi-asset portfolio.

DRAWDOWN ANALYSIS

Drawdown analysis assesses the relative riskiness of a Fund versus the benchmark, in reference to capital preservation. The maximum Drawdown is recorded as the percentage decline in the value of a portfolio from peak to trough (before a new peak is achieved). All Drawdown analysis is calculated commencing from the inception date of the Fund in question, and Drawdown analysis for the Fund and benchmark(s) are calculated independently. That is, the largest drawdown for the Fund and benchmark(s) will not always refer to the same time period.

Drawdown Analysis	Fund	Benchmark
Max Drawdown (%)	-1.33	-13.60
Months in Max Drawdown	2	3
Months to Recover	1	4
Worst Drawdowns	Fund	Benchmark
1	-1.33	-13.60

Worst Drawdowns	Fund	Benchmark
2	-1.17	-10.37
3	-0.53	-5.98
4	-0.31	-5.87
5	-0.31	-3.11



The commentary below is as at 31 December 2019.

Partners Group has consistently demonstrated the ability to preserve capital, noting the Fund's constrained drawdown profile.

INCOME/GROWTH ANALYSIS

Income / Growth Returns	Income	Growth	Total
FY to 30 Jun 2019	0.00%	13.64%	13.64%
FY to 30 Jun 2018	0.00%	11.24%	11.24%
FY to 30 Jun 2017	0.00%	10.07%	10.07%
FY to 30 Jun 2016	0.00%	7.79%	7.79%
FY to 30 Jun 2015	0.00%	19.47%	19.47%
FY to 30 Jun 2014	0.00%	14.55%	14.55%
FY to 30 Jun 2013	0.00%	13.00%	13.00%

Investors should be aware the Fund does not target a specific level of income returns.

The Fund typically distributes income annually (June).

The Fund utilises a feeder fund structure, where the Australian unit trust invests in the offshore Master Trust. Generally, realised gains (losses) and income (expenses) will be realised at the Master Trust level and likely retained within the Australian unit trust in the form of a unit price increase (decrease). The Fund is expected to only realise the capital movement in the unit price of the Master Trust; therefore, investors should anticipate that the Fund will not distribute a significant portion of returns in the form of income. Zenith recommends investors seeking advice regarding the tax implications of a feeder fund structure should see their tax specialist.

REPORT CERTIFICATION

Date of issue: 30 Jan 2020

Role	Analyst	Title
Author	James Damicoucas	Investment Analyst
Sector Lead	Rodney Sebire	Head of Alternatives & Global Fixed Income
Authoriser	Bronwen Moncrieff	Head of Research

RATING HISTORY

As At	Rating
30 Jan 2020	Highly Recommended
21 Nov 2018	Recommended
12 Dec 2017	Recommended
8 Dec 2016	Recommended
25 Nov 2015	Recommended

Last 5 years only displayed. Longer histories available on request.

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