Partners Group
REALIZING POTENTIAL IN PRIVATE MARKETS

PGG Update – Script (September 3rd 2020)

Hello, my name is Andrew Bellis. This is an update for unitholders in the Partners Group Global Income Fund. As we are reaching the end of the summer period in the US and Europe marked by the Labor Day holiday this weekend we thought it would be a good opportunity to provide our unitholders with an update on the PGG portfolio.

We spent much of this year discussing the extreme levels of market volatility brought on by the COVID-19 global pandemic. Whilst we are still in the middle of this pandemic, market conditions have changed substantially from those we saw in the second quarter of this year.

COVID-19 is clearly not going to disappear (we are now again seeing rising infection rates in many European countries for example and infection rates have remained stubbornly high in the US), but financial markets are taking a much more considered approach to its impact and the extreme levels of volatility seem to be behind us. In this context, over the last month we have continued to see a slow but steady improvement in the NTA of PGG as market prices for first lien senior secured loans and other private debt instruments have continued their upward trend albeit at a slower pace. We also continue to pay our regular monthly distribution and believe that the underlying portfolio of PGG is producing an attractive level of income.

We have continued to carefully monitor the underlying portfolio of PGG and we have not experienced any defaults in our underlying portfolio. Given the portfolio is fully invested our activity has focused on select activity to improve the portfolio on a long term basis. Examples include reducing a handful of company exposures, which despite our belief that they will continue to pay their interest and repay their loan in full we believe the improvement in the price on that loan will be slow and we can achieve a better return for the PGG portfolio by purchasing an alternative loan in the primary market which is offering a more attractive yield.

As we look forward to the rest of the year we expect the level of activity in our market to increase, as private equity sponsors look to finance new company acquisitions in the private debt markets. We will continue to look to make select adjustments to the portfolio with a view to maximizing returns for our unitholders in the long term.

Partners Group Private Markets (Australia) Pty Limited
Level 32, Deutsche Bank Place
126 Phillip Street
Sydney, NSW, 2000 Australia

T +61 2 8216 1900
pgaustralia@partnersgroup.com
www.partnersgroupaustralia.com.au

ABN 13 624 981 282
AFSL 509285

Partners Group
REALIZING POTENTIAL IN PRIVATE MARKETS

One of the questions that has come up from our unitholders is are we provisioning against future losses and do we think those provisions are sufficient? In that context we believe some confusion has arisen.

Unlike a bank, PGG is required to mark to market its portfolio, this process is effectively the way PGG is provisioned against future losses. Market expectations of increased defaults and losses mean that first lien senior secured loans are quoted at prices below par, the difference between par and the current market price is effectively a provision.

A bank on the other hand does not mark its loan book to market. Instead a bank will hold its loan book at par (or cost) and then provision against future losses by estimating likely future loan losses based upon its own internal models.

It is worth noting that for PGG the use of mark to market quotes means that this provision is completely independent of Partners Group's view as to potential future losses. For example if we have lent a company AUD5 million and we firmly believe that the company will be repaying us AUD 5million in 2 years' time but the market quote for that loan is at 90% we are required to hold that loan with a face value of AUD4.5million and thus effectively provision AUD0.5 million.

In this environment funds or banks are either holding loans at par and provisioning or marking their loans to market. We believe whilst the approaches are different the effects are the same and would argue that the use of mark to market quotations is a truly independent provision for PGG. We therefore don't believe, as perhaps some unitholders have understood, there should be a further provision via a discount to NTA for the units. Were PGG to continue to hold its portfolio at cost and not provision for increased losses we could understand unitholders taking a discount to the NTA to account for potential future losses, however this is not what PGG is doing. We therefore believe that any discount in the unit price to NTA is not justified on the grounds of a lack of provisioning against future expected losses.

Finally to emphasize, there have not been any defaults to date in the PGG portfolio.

We look forward to providing further updates on an ongoing basis to our unitholders and continue to focus on improving the NTA and ensuring consistent distributions to our unitholders.

Thank you, Andrew