Partners Group
REALIZING POTENTIAL IN PRIVATE MARKETS

PGG Weekly Call – Script (April 9th 2020)

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

Since our last update call a week ago, we have continued to see more stability, relative to the first half of March, in financial markets globally. However, volatility remains at very elevated levels relative to longer term averages.

The optimistic tone so far this week has been driven by the view that some of the major outbreak areas in Europe, such as Italy and Spain are starting to see a stabilization in fatalities and a decline in the rate of new infections. Perhaps most relevant for financial markets is the tentative signs of a plateauing of infection rates in New York state, by far the worst affected state in the US. There is also an increasing amount of discussion, again particularly in some European countries, about a potential loosening of lockdown restrictions as it relates to starting to get certain parts of the economy going again. Whilst this may still be some way off, and the timing is uncertain, this has provided further support to the market.

We have seen the First Lien Senior Secured Loan market benefit from the more positive tone. As we mentioned in last week's update, we saw quoted prices start to move off their lows towards the end of March, albeit those moves occurred after the NTA that was published on the 1st April. It is important to remember that published NTAs reflect market prices as of a week prior to the actual publication date, so for example the NTA published on 1st April reflected the NTA as of one week prior to that date. In times like this, with high levels of market volatility and large moves in quotes prices over a short period of time, this can result in large movements in NTA that appear contrary to market movements a few days prior to the NTA publication.

The NTA is calculated using the bid side pricing on portfolio assets as determined by a third party pricing source independent to Partners Group based upon market quotes only. As we discussed last week, we are required to mark the portfolio to market in order to publish an NTA on an ongoing basis. The movements in the NTA are attributable to these mark to market movements, not to impairments in the underlying loan portfolio of PGG. We continue to believe that as First Lien Senior Secured Lenders, whilst quoted prices might not demonstrate this due to the illiquid nature of the asset class, we are more protected from company specific issues given the (often significant) equity in a business that ranks junior to our loan.

As we mentioned, the general market tone for First Lien Senior Secured Loans has continued to improve modestly over the last few days but with much more muted price moves in terms of where loans are quoted in the secondary market than we saw during the last few days of March. We have also started to see a little bit more differentiation in the market in terms of where loans are quoted, with participants starting to look more closely at company's actual fundamental business position

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rather than indiscriminately looking to sell risk, we do think this dispersion will likely increase as the market stabilizes.

Alongside this we have seen the new issue investment grade bond market continue to be very active and this has now spread to the High Yield bond market where we have started to see some levels of new issuance and one new First Lien Senior Secured Loan has been launched to the syndicated market. It is worth noting that the issuance in the High Yield and Senior Secured Loan Market so far is really focused on companies which are in sectors which are heavily impacted by the coronavirus pandemic and have to borrow money to survive and need the liquidity. The loan currently being syndicated in the US market is to a company that runs casinos and restaurants in the US. Whilst the margins on offer are eye-watering at Base rate +14%, we view this as pure rescue financing as the company needs liquidity at any cost. We would not consider an opportunity of this nature. As an aside from an ESG standpoint, we would not be a lender to Casino businesses.

What we are focusing on over the next few weeks is looking to optimize the portfolio. There are some names which we believe have recovered in price substantially closer to par and we may look to exit a few of those and recycle into other names we also have a strong credit view on already, but can purchase at more attractive prices in the secondary market. To help with this process, the fund is in a fortunate position of having a credit line available that was negotiated and put in place pre COVID-19 (terms are therefore significantly better than what could be negotiated in today's market environment). This credit line has a 3 year term, cannot be called away and it's pricing or availability is not subject to margin calls based movements in price on the underlying PGG portfolio. Whilst this credit line will result in increased movement of NTA, we believe it is highly accretive to both income levels and ultimate NTA development of the fund. It also allows for continued and greater investment flexibility to take advantage of attractive, high quality investment opportunities that will arise during these periods of market dislocation. Per the terms of the Product Disclosure Statement, the facility is only used on the First Lien Senior Secured Loans and is limited to 50% of the total portfolio size. We also again note that 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.

I hope everyone enjoys the Easter weekend and is safe and healthy.

Many thanks, Andrew