Partners Group
REALIZING POTENTIAL IN PRIVATE MARKETS

PGG Update – Script (November 9th 2020)

Hello, my name is Andrew Bellis. This is an update for unitholders in the Partners Group Global Income Fund.

We are providing this brief update at the start of November following the US Presidential elections, which is an event that the market has been anticipating, perhaps with some trepidation, for a number of months and has dominated recent headlines alongside the rising cases of COVID-19. At the time of writing, almost a week after the Presidential Election, Joe Biden has been declared the winner and will, barring what seems like a remote possibility of a successful legal challenge from the Trump administration, become the next US president.

We will not provide any political comment here but it is worth noting that the financial markets (both global Equity and the First Lien Senior Secured Loan and Private Debt) have viewed the outcome in a positive light. Markets were perhaps most fearful of an unclear result and/or a disputed outcome. Whilst we don't yet have a completely clear result free of dispute Joe Biden will win enough states such that it becomes almost impossible for Donald Trump to contest the result. Interestingly what markets are perhaps most positive about is that the Democrats, contrary to expectations, did not win a Senate majority (although this may change in January with Senate run-off elections in the State of Georgia). This means that the market expects little fundamental change (or in US political terms gridlock) and in particular, no fundamental shifts to a much more socialist agenda…. the so called "Blue Wave" didn't happen as expected.

In that week prior to the election we had seen modest mark to market price falls across the PGG portfolio as markets became increasingly nervous around the outcome of the US election, this was also reflected in relatively larger price moves in Global Equity markets. However, off the back of the expected result of the US election we have seen prices in the First Lien Senior Secured Loan and Private Debt markets recover, again, similar to Global Equity markets. It is very important to note though that the moves within the First Lien Senior Secured Loan and Private Debt markets have been relatively small. There is no return to March and April levels of price volatility!

Gradually, focus will now return to the COVID-19 situation. Despite rising cases across Europe and the US alongside the return of lockdown "lite" conditions in many European countries, the market is much more sanguine. However, it is likely that the real return to normal – both on a day to day basis and in terms of the First Lien Senior Secured Loan and Private Debt markets is going to depend on if and when a viable vaccine or vaccines are made readily available. At the time of writing the news that the vaccine being developed by Pfizer and BioNTech prevented more than 90% of infections is very encouraging and the

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market has reacted positively, however the widespread distribution of this or any other vaccine will still take a number of months.

Away from the US presidential election, in an unprecedented move, the Reserve Bank of Australia cut rates to an all-time low of 0.10%. Whilst the distribution target of PGG is set at RBA +4%, it should be noted that within the PGG portfolio, all of the underlying positions have what we term a Libor floor at 0%. This means that were the floating rate benchmark rate of Libor to fall below this level, the reference rate for loans that PGG makes would not go below zero.

More importantly, a meaningful proportion, around 25-30% of the portfolio have a Libor floor above 0%, on average at approximately 0.75%. In effect, this means that if the floating rate benchmark of Libor was to fall to zero or below, this would provide an additional amount of income above the benchmark rate for the PGG portfolio. So not withstanding the fact that the RBA rate has fallen, as a result of this feature of the portfolio, we believe that the level of income the PGG portfolio is producing has increased relative to the benchmark.

We remain of the view that the PGG portfolio is performing well and is defensively positioned in this environment, given its broad diversification and larger exposures to more defensive sectors that are less impacted by COVID-19 related shutdowns. PGG continues to pay its target distribution on a monthly basis and as noted above, we feel very happy with the robust level of income the PGG portfolio is producing.

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