Partners Group
REALIZING POTENTIAL IN PRIVATE MARKETS

PGG Update – Script (February 19th 2021)

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

So far 2021 is proving far less eventful in terms of global events and financial markets than 2020. We both hope, and expect this continues to be the case!

Touching briefly on COVID-19, we see case numbers continue to drop in many countries, the US and the UK seeing some of the most pronounced falls. Whilst many of those countries are still in some form of lockdown, there continues to be general optimism due to falling case numbers and the vaccine rollout. We are starting to see restrictions loosen in many states in the US as cases fall and the vaccine roll out picks up speed. Talk of an end to the, likely final, lockdown in the UK is also gaining momentum.

It is also worth highlighting some of the initial data coming out of countries such as Israel and the UK. It suggests the parts of the populations that have now received vaccines (such as elderly groups) are seeing a sharper fall in infection rates and there is clear evidence of antibody levels building up in those individuals. These dynamics continue to support financial markets and give more substance to what is described as a re-opening trade or perhaps better a return to pre-COVID normality. This continues to support financial markets and leads to stable and improving asset prices and as such, the volatility in the NTA of PGG is back to much more normal (i.e. pre COVID-19) levels.

We also noted in our last update that 2021 has so far seen a strong First Lien Senior Secured Loan and Private Debt market. This trend has continued over the last month as can be expected given the dynamics we just talked about.

In terms of the PGG portfolio and the wider market, we are seeing a strong level of new transactions in both more direct debt transactions as well as continued activity in the syndicated market. As a result, we are also seeing a healthy level of prepayments by a number of companies within PGG's portfolio that allow us to recycle that prepayment either into a follow on loan for that same company, to the extent we maintain a positive view on the company and that it requires loan financing, or to deploy that prepayment into new transactions that we are sourcing.

We believe that the PGG portfolio continues to offer a compelling risk reward profile. Namely:

- Attractive and consistent distributions at our stated level of 4% above RBA
- A conservatively positioned, highly diversified portfolio focused predominantly on first lien senior secured loans

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- An underlying portfolio that is floating rate in nature

This last point is something that we mentioned in our last update and we believe will become increasingly important in the coming years. Investments such as First Lien Senior Secured Loans and Private Debt, that provide for income that is based off a floating rate (namely LIBOR or its equivalents), provide inflation protection in a time of rising interest rates. The loans that PGG holds have almost no interest rate duration. So whilst the price of a fixed rate bond will naturally fall as interest rates (both real and implied) rise, this is not the case for floating rate loans that PGG holds. In addition to that, as LIBOR increases, the income level on the PGG portfolio will increase, this is not the case for fixed rate bonds where the income level will remain the same.

We are continuing to see the yield curve steepen in the US and yields on 10 year US Treasuries continue to rise, yet there is talk of even more stimulus from the US government! If we start to see rising levels of inflation as economies re-open, and commensurate increases in interest rates, we believe the PGG portfolio will outperform relative to more traditional fixed income investments.

Many thanks
Andrew