Partners Group
REALIZING POTENTIAL IN PRIVATE MARKETS

PGG Weekly Update – Script (May 21st 2020)

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

Since our last update we have seen a slightly more negative sentiment in global financial markets, with more elevated volatility in stock markets albeit nothing compared to what we saw in late March and early April. However, this was notably reversed on Monday of this week when we saw news that Moderna, a US based biotechnology company, announced promising early results from its initial human trials.

This comes alongside a number of other countries and companies that are racing to develop potential vaccines. The University of Oxford, that is working in partnership with AstraZeneca has stated they plan to have millions of doses of a potential vaccine available by this autumn. In the current environment stock markets quickly seize on any positive news associated with potential vaccines as a way to brush off more sobering views about the potential lasting impact the Coronavirus crisis will have on the global economy. As a reminder of this, the latest US unemployment numbers provided a sobering backdrop with another 2.5 million jobless claims, taking the continuous claims number to a staggering 25 million. Meanwhile economic re-opening continues its gradual pace of increase both across Europe and the US, however, it is highly unlikely those people who have lost employment will be re-absorbed into the work force as rapidly. It is likely therefore, even with record government and central bank stimulus, personal consumption may take some time to rebound.

In the first lien senior secured loan and private debt markets, activity has been more subdued and despite slightly more elevated financial market volatility, price action in the loan markets was very limited. This is a continuing theme from the last two or three weeks, and as a result, the NTA of PGG has been relatively stable.

We are starting to see a more material increase in new loan transactions coming to the market. These are broadly categorized into three areas:

- “Add-on” transaction for companies with existing loans where those companies are in a strong financial position, have relatively little impact from COVID-19 and are seeking to raise additional financing somewhat more opportunistically to increase cash on balance sheet or look at potential acquisitions for example
- “New” transactions where a company is seeking to borrow for the first time in the loan and private debt markets. Those companies again tend to be less exposed to the COVID-19 environment. For example, we have seen a metering business in the US that provides solutions for buildings to intelligently bill each occupant for utility usage come to market.

- "Rescue-style" transactions for companies that are heavily impacted by the COVID-19 pandemic and are seeking financing at a very high cost in order to manage through the current environment.

As the market continues to improve and stabilize, it is likely the proportion of the Add-on and in particular New transactions coming to the market will continue to increase. This is where we are focusing our attention alongside potential opportunities in the secondary market in order to actively manage the portfolio of PGG.

It is important to again re-enforce two key messages:

- As we have mentioned before, we continue to pay the monthly distribution to PGG unitholders at the stated rate of RBA+4% as calculated on the launch NTA of AUD 2.00 per share. It is worth noting, based on the current unit price, this is a distribution yield in excess of 5%.
- The NTA is a reflection of the requirement to use market pricing for First Lien Senior Secured Loans and Private Debt. Furthermore, it is based on bid prices provided by an independent pricing service. All of the underlying companies within the PGG portfolio continue to pay their stated interest on their loans

I hope you have a good week.
Andrew