



# Partners Group

REALIZING POTENTIAL IN PRIVATE MARKETS

PGG Update – December 22<sup>nd</sup> 2022

Hello, my name is Andrew Bellis.

This is the last update of 2022 for unitholders in PGG. Unfortunately, over the last month we haven't seen any meaningful improvement in market conditions; and unlike in previous years where market activity in terms of new private debt financing continued at a brisk pace until the end of the year, the market has remained relatively quiet this December.

We have seen another set of interest rate increases in the major western economies; although notably the Federal Reserve this time increased rates by just 0.5% rather than the larger increases of 0.75% at previous meetings. Financial markets more broadly continue to debate how much further rates will increase before the peak is reached. Whilst the timing and peak level is hard to predict what seems clear is that interest rates will remain at these elevated levels for some time, or at least until there are clear signs of inflation being firmly contained. This suggests that investors in floating rate debt; such as that held by PGG will continue to benefit from significantly higher income levels for the foreseeable future.

We have just released our report for the month of November and during the month, we increased our exposure to two company's where we have strong credit conviction: a French company considered as the global leader in innovative and sustainable flooring products, we see great value in the credit following strong third quarter earnings; and a US healthcare service company which focuses on radiology practices. The company outperformed expectations this quarter with positive organic growth and higher EBITDA margin despite inflationary headwinds.

Similarly we reduced our exposure on two companies where we felt credit fundamentals were deteriorating and it made sense to exit in the secondary market and reinvest the proceeds in these more attractive opportunities.

As of end November, the portfolio continues to be fully deployed. Software remains the largest sector at 13%, followed by Health Care Providers & Services at 10%.

We continue to believe that PGG offers a very attractive income focused investment with strong downside protection due to the fact that the vast majority of the portfolio is first lien senior secured in nature.

Whilst 2022 has been a very challenging year for financial markets more broadly we firmly believe that PGG offers a highly attractive income oriented investment profile and robust underlying portfolio for 2023 and beyond.

Many thanks, Andrew

**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



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