



# Partners Group

REALIZING POTENTIAL IN PRIVATE MARKETS

PGG Update – October 5<sup>th</sup> 2022

Hello, my name is Andrew Bellis.

It's just under a month since our last update for unitholders in the Partners Group Global Income Fund (PGG). August was a more positive month with the net performance of PGG being up 2.46% per unit based on the change in NTA and the distributions made.

However, September from a macroeconomic environment has been challenging. Despite a relief rally of some sorts in the last few days, we saw global stock markets plunge to new lows for the year. The same themes continue to drive financial markets – the robustness of the economy and jobs market indicating that the Federal Reserve in particular still has some way to go with their interest rate increases which leads to worries that they will over do it and pull the US (and Global) economy into a recession.

A more worrying development were the large gyrations set off by the surprise tax cuts of the new UK government. We saw large moves in Sterling and material upward moves in gilt yields. In the end, the Bank of England had to step in and support the UK gilt market to avoid a run on the UK Pension funds followed by a government u-turn. It is important to point out here that PGG has a relatively low exposure to the UK as a whole – around 15% of the portfolio and on a currency basis around 7% exposure to Sterling which is fully hedged back to Australian Dollars. We also don't see any of the UK companies we lend to being impacted by these stresses within UK financial markets; we will however clearly take a cautious approach to new investments in the UK.

Most recently, the Reserve Bank of Australia further increased interest rates; with RBA increasing by 0.25% to 2.6%. This means that the distribution rate for PGG going forwards will move upwards to 6.6% per unit with significantly higher income levels considering the current unit price.

The portfolio of PGG continues to be fully invested with the vast majority of our exposure being first lien senior secured in nature. Portfolio activity is limited given the pace of new transactions has slowed substantially and we see little value in exiting existing positions given a fairly depressed secondary market.

Whilst the NTA of PGG has been under pressure in recent weeks, this is purely driven by valuation movements in the underlying portfolio, as we are required to mark-to-market our positions to reflect secondary market prices, not by credit write-offs. The portfolio continues to perform with all the underlying investments paying their contractual income and we are weighted towards more defensive sectors such as healthcare and software.

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Whilst clearly financial markets are volatile and this impacts both the NTA and Unit Price of PGG, we continue to believe that PGG offers a very attractive income focused investment. As financial markets stabilize and investment activity increases we will continue to seek to reinvest the portfolio with a particular focus on more privately negotiated transactions as we expect the return potential for such transactions to increase materially in the coming months relative to the more syndicated markets.

Many thanks, Andrew

Note: all references in this update script to Portfolio refers to the portfolio of investments within the Underlying Fund (the Partners Group Global Income Investments Loan Strategy DAC vehicle). PGG invests directly into the Underlying Fund providing indirect exposure to the Portfolio attributes detailed in this pitchbook.

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