



## Partners Group Global Income Fund Update – March 2025

There have been a lot of headlines in recent weeks regarding the Private Credit market. Its important that we take a few minutes to level set and provide our perspective on these headlines and events as well as, most importantly, contrast with what we believe to be the relative merits of the Partners Group Global Income Fund.

Lets take three key topics in turn, but noting that these topics are somewhat linked and thus hard to discuss in isolation.

### Software/AI

There have been a lot of press articles and commentary from various market participants about the impact of AI on certain business models and in particular its impact on the software sector more broadly. This could be a particular concern given the level of exposure in the Private Credit Market, and in the US private credit market in particular. In our estimation based on available data, Software/Technology accounts for approximately 23% of assets held in U.S. direct lending portfolios and an estimated 20% in Europe. Software exposure in the Broadly syndicated loan market is around 16% in the U.S. and 9% in Europe.

The Global Income Fund currently has around 12% exposure to the software sector across its entire portfolio, benefitting from the fact that it is a global fund investing across both the syndicated and direct lending markets. We have intentionally right sized this exposure in late 2025 and early 2026, differentiating between companies positioned to benefit from AI adoption and those facing potential pressure, allocating capital accordingly.

Our focus remains on durability, defensibility, and AI readiness, prioritizing resilient technology businesses backed by experienced sponsors and favoring vertical software platforms embedded in industry-specific workflows. We believe our portfolio is well-positioned, and our fundamental bottom-up credit research combined with active portfolio management enables us to capitalize on indiscriminate selloffs and drive performance over time.

### Valuations

Given some of the headlines and concerns around software there have been material price moves in the syndicated loans of many software companies. We have also seen smaller price moves in other non-software company loans where there is perceived AI disruption risk.



However given the larger exposure to software related business within the Private Credit or direct lending markets and the lack of quoted prices in direct lending concerns have been raised that many portfolios are not valued correctly.

Many commentators also point to materially differing valuations on the loans to certain companies that may be held across a number of different US evergreen vehicles such as BDCs. There have also been examples in recent weeks where a very small number of loans have been fully written down (from par to zero) within one quarter by certain managers, further exacerbating concerns over valuations

It is important to note that PGG, in contrast to BDCs has substantially more than 60% of its portfolio in loans where there is a daily quoted price and the monthly NAV of the fund reflects the quoted price of each loan if one is available. In addition, all of the direct lending positions are valued independently on a monthly basis by a third party provider. This approach has been used across all of our funds for a number of years and we believe provides a robust and transparent NAV in the case of the Global Income Fund in particular.

#### Recent defaults

Many headlines have focused on specific defaults; First Brands, Tricolor, Prima Lend, MFS, Renovo Home Loans. There is talk of systemic risk and there being many more cockroaches to come. We won't dig into each of these defaults but it is very important to note that the Global Income Fund had no exposure to any of these names we just mentioned.

We don't see evidence of a systemic default wave within the private credit or syndicated loan markets. Many of these defaults are more idiosyncratic in nature; although in a number of these, particularly those with an asset backed component such as MFS and First Brands there does seem to have been fraud involved to the extent there is a common theme.

We do however believe as a firm that in the medium term default rates across the market will likely rise; especially given the disruption to business models we will see as a result of AI. We don't think you can simply invest in Private Credit with a beta approach; credit selection and active portfolio management, such as the one we apply in selecting investment for and managing the Global Income Fund will be critical in outperforming the market beta or average in private credit in the coming years.

In conclusion whilst we recognize the large number of alarming headlines in recent months we believe that the vast majority of those headlines are focused on the software exposure specifically within the US Direct Lending market. As a globally diversified<sup>1</sup> fund investing across the syndicated and direct lending market we feel comfortable with the market positioning of the Global Income Fund. Across the portfolio maturities pose

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<sup>1</sup> Diversification does not ensure profit or protect against loss.



no near term risk, default rates have been materially below market and we continue to distribute the stated monthly income. The NAV of the fund will move based upon our valuation approach which we believe to be robust, but importantly continue to see these movements as reflective of broader market conditions and not of specific credit concerns within the portfolio of the Global Income Fund.

We thank you for your continued support.

Andrew.

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