

## Partners Group Global Value Fund (Wholesale)

Rating issued on 08 Feb 2024 | APIR: ETL0276AU

### Investment objective

To generate capital growth over the medium to long-term, targeting returns of between 10% p.a. and 12% p.a. (net of fees) by investing across the Private Equity spectrum (i.e. Direct, Primary and Secondary investments), with liquidity supplemented through allocations to Private Debt (including Syndicated Corporate Loans).

|                         |  |
|-------------------------|--|
| Manager                 | Partners Group   |
| Distributor             | Partners Group   |
| Sector                  | Alternatives \ Private Equity                              |
| Investment Style        | Diversified  |
| RI Classification       | Integrated   |
| Absolute Risk           | High   |
| Relative Risk           | Active - Benchmark Unaware                                 |
| Investment Timeframe    | 7+ Years   |
| Benchmark               | MSCI World Ex Aust \$A (Hgd)                               |
| Min Investment Amount   | \$20,000   |
| Redemption Frequency    | Monthly  |
| Income Distribution     | Annually   |
| Fund Size (31 Dec 2023) | \$12.29B   |
| Management Cost         | 1.75% p.a. Incl. GST                                       |
| Performance Fee         | Applied within the underlying Fund on a deal-by-deal basis |
| Buy / Sell Spread       | 0.00 % / 0.00 %  |
| Inception Date          | 31 May 2012  |

### Fund facts

- Provides exposure to a diversified portfolio of private market investments
- Withdrawals paid after 90 days (subject to 5% per quarter redemption limit at the Master Fund level)
- Currency is 70% hedged back to the Australian Dollar

### Viewpoint

The Fund, managed by Zug-based Partners Group Holding AG (Partners Group), provides investors with access to a diversified portfolio of Private Equity (PE) investments in a semi-liquid structure. Zenith's continued high conviction is underpinned by the firm's deep and well-resourced investment teams who source investment opportunities across the full PE spectrum (i.e. Direct, Primary and Secondary), building a high-quality portfolio with value creation opportunities across its underlying assets.

Partners Group is a global private markets investment management firm with over \$US 147 billion (as at 31 December 2023) in assets under management (AUM) in PE, Private Debt, Private Real Estate and Private Infrastructure. As at the same date, Partners Group managed approximately \$US 76 billion in PE investments.

The Global Investment Committee (GIC) governs the firm's overall investment approach and oversees the final investment decisions for all private markets investments. Zenith holds the members of the GIC in high regard owing to their extensive experience and track record in private market investing.

The GIC is supported by a number of Specialised Investment Committees (SIC) which are responsible for investment pre-selection in their respective private market segments (i.e. Direct, Primary, and Secondary). Each SIC comprises the most senior investment professionals within each respective private market segment.

The Fund invests across Direct, Primary and Secondary PE investments, with liquidity supplemented through allocations to Private Debt (including broadly Syndicated Corporate Loans). The investment process commences with the setting of a top-down asset allocation, which identifies the most attractive regions, industries, private market segments and investment types. Based on these guidelines, the portfolio management team selects a range of underlying investments, ensuring the portfolio is appropriately diversified across sub-sectors, regions, industries, J-curve profiles and vintage years.

A capital commitment strategy is continuously implemented to ensure the Fund can secure new deals and at the same time, meet its capital call and liquidity requirements. Partners Group has developed a number of internal proprietary systems which support the steering of mandates and management of evergreen PE funds.

Within the Direct PE team, operating professionals actively work with portfolio companies to implement value creation strategies with the objective of maximising returns from each investment. While the background of the operating specialists is diverse, a common thread is the level of management consulting and/or deep industry experience. The strategies may include driving revenue growth, implementing cost-saving initiatives and promoting operational efficiencies.

In Zenith's opinion, the support of the operating professionals is a key point of differentiation relative to peers. With the increased competition amongst PE assets, the firm's ability to partner with investee companies and embed operating professionals onsite is considered a key competitive advantage.



## Fund analysis

### Fund characteristics

| Constraint                           | Value  |
|--------------------------------------|--|
| Net Redemptions per Quarter          | Max: 5% as a percent of shares issued at the beginning of the calendar quarter |
| Net Subscriptions per Financial Year | Max: 25% as a percent of shares issued at the beginning of the financial year  |
| Single Commitment Limit              | Max: 20%   |
| Maximum Borrowing                    | Max: 25%   |
| Cash Limit                           | Max: 10% as a soft limit   |
| Hedging Ratio                        | 70%  |

### Investment objective and philosophy

The Fund's investment objective is to generate returns and capital growth over the medium to long-term. More specifically, Partners Group expects to generate returns of between 10% p.a. and 12% p.a. (net of fees) by allocating capital across the different types of private market investments.

The Fund invests across Direct, Primary and Secondary PE investments, with liquidity supplemented through allocations to Private Debt (including Syndicated Corporate Loans).

Investment decisions are made using a three-layer approach, which starts with a top-down allocation strategy, then a bottom-up valuation investment selection process and finally a capital commitment strategy.

The top-down process provides a mechanism for allocating capital across geographic regions, industry sectors, private market investment types (Direct, Primary and Secondary), and financing stages (Buyouts, Venture Capital and Special Situations).

The bottom-up process aims to identify investments within each segment that have sufficient quality and value to be included in the portfolio. This includes market and sensitivity analysis as well as considerations for value creation potential.

The commitment strategy is a mechanism used to manage and control the use of cash, as well as the timing of making investments in the Fund. The firm considers commitments and the timings of potential investments, and the effect they have on the cash levels of the Fund in conjunction with meeting its liquidity requirements.

In sum, Zenith believes that Partners Group employs a robust and repeatable investment process, which combines top-down and bottom-up elements to produce a well-diversified portfolio of high-quality investments.

### Portfolio applications

Zenith believes private markets provide investors with a differentiated avenue of generating returns than from listed Equities. Private markets typically generate a return stream that offers diversification for an investment portfolio, given the low level of volatility inherent in private market returns, which historically have also been lowly correlated to the returns from listed Equity investments.

The Fund provides retail investors with the ability to access private market investments, with a low minimum investment and monthly liquidity. The monthly liquidity facility is subject to gating provisions that restrict redemptions to no more than 5% of the Master Fund's shares on issue at the end of the previous calendar quarter.

Zenith believes that the Fund may also be used to complement and diversify a Global Equities exposure within an investor's portfolio. Given the nature of investing in private companies, Zenith views the Fund as a growth investment, thus it should be used within the growth component of an investor's portfolio. Investors should consider this Fund with a minimum five-year investment time frame in mind.

The Fund's redemption terms includes a notice period of 60 days, with withdrawal proceeds paid a further 30 days after the redemption date. This time frame is intended to provide the portfolio management team with the flexibility to manage requests, particularly in stressed periods. Furthermore, under the Fund's constitution, the payment of a withdrawal request can be delayed by over 100 days at the discretion of the Responsible Entity (Equity Trustees). Zenith notes that the overall redemption payment time frame is lengthy and disadvantageous for those investors requiring a faster return of capital.

The Fund utilises a feeder fund structure, where the Australian unit trust invests in the offshore Master Trust. Generally, realised gains (losses) and income (expenses) will be realised at the Master Trust level and likely retained within the Australian unit trust in the form of a unit price increase (decrease). The Fund is expected to only realise the capital movement in the unit price of the Master Trust; therefore, investors should anticipate that the Fund will not distribute a significant portion of returns in the form of income. Zenith recommends investors seeking advice regarding the tax implications of a feeder fund structure should see their tax specialist.

### Fund responsible investment attributes

| Key Information                   | Description         |
|-----------------------------------|---------------------|
| Zenith RI classification*         | Integrated          |
| Has Responsible Investment Policy | Yes                 |
| <b>Negative screens**</b>         | <b>Full/Partial</b> |
| Alcohol                           | Partial             |
| Armaments                         | Full                |
| Fossil fuels                      | Partial             |
| Gaming                            | Partial             |
| Adult Entertainment               | Full                |
| Tobacco                           | Full                |
| Nuclear Power                     | Partial             |
| Human rights abuse                | Full                |
| Animal cruelty                    | Partial             |



| Key Information           | Description |
|---------------------------|-------------|
| Environmental Degradation | Full        |
| PRI Status                |             |
| PRI Signatory             | Yes         |

\*Zenith RI Classification scale:

- Traditional
- Aware
- Integrated
- Thematic
- Impact

*\*\*Data has been supplied by third parties. While such information is believed to be accurate, we do not accept responsibility for any inaccuracy in such data.*



# Absolute performance

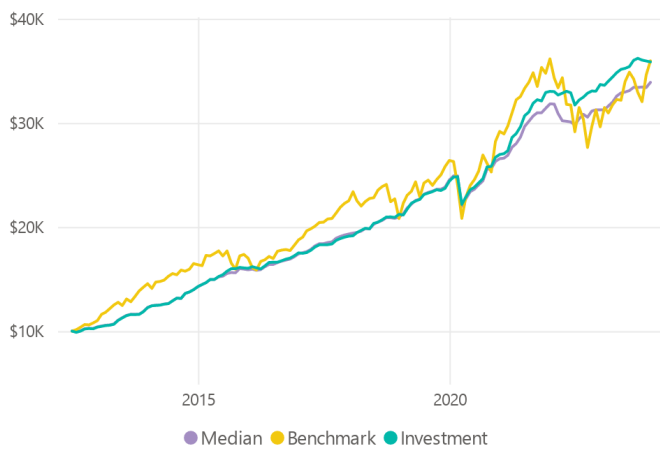
Performance as at 31 Dec 2023

## Monthly performance history (% , net of fees)

|      | Jan    | Feb    | Mar     | Apr   | May    | Jun    | Jul   | Aug   | Sep   | Oct    | Nov    | Dec    | YTD    | BM YTD* |
|------|--------|--------|---------|-------|--------|--------|-------|-------|-------|--------|--------|--------|--------|---------|
| 2023 | -0.23% | 1.17%  | 1.19%   | 1.21% | 0.91%  | 0.28%  | 0.48% | 1.70% | 0.53% | -0.46% | -0.25% | -0.24% | 6.44%  | 21.40%  |
| 2022 | -0.08% | -0.98% | 0.53%   | 0.56% | -0.43% | -3.59% | 1.53% | 0.85% | 1.15% | 0.64%  | -0.04% | 1.93%  | 1.99%  | -18.06% |
| 2021 | 0.29%  | 1.05%  | 4.68%   | 1.28% | 2.28%  | 3.55%  | 1.17% | 2.72% | 1.08% | -0.37% | 2.52%  | 0.32%  | 22.48% | 23.88%  |
| 2020 | 1.63%  | 0.16%  | -10.72% | 3.30% | 2.96%  | 0.99%  | 1.76% | 1.69% | 4.55% | 0.21%  | 3.38%  | 1.02%  | 10.53% | 10.57%  |
| 2019 | -0.31% | 2.64%  | 2.67%   | 0.93% | 0.68%  | 2.09%  | 0.59% | 0.59% | 0.77% | -0.31% | 0.86%  | 2.92%  | 14.98% | 26.81%  |

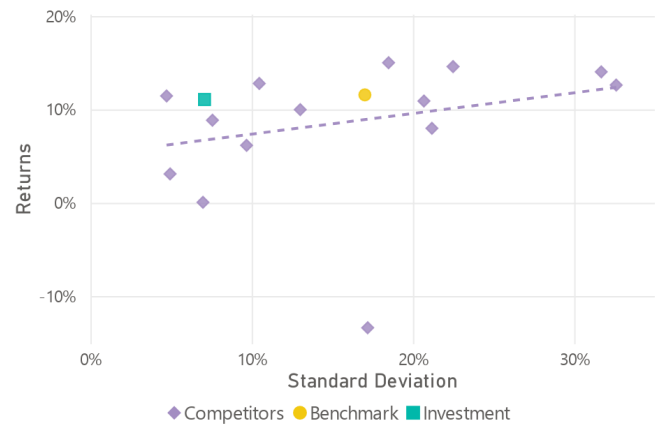
\*MSCI World ex Aust \$A (Hgd)

## Growth of \$10,000

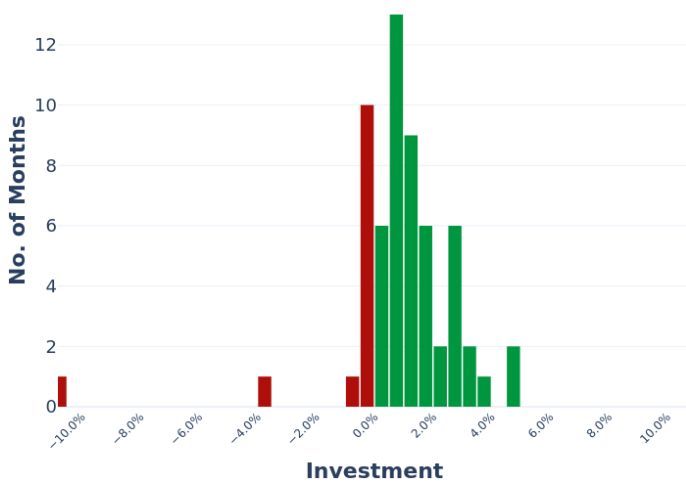


## Risk / return

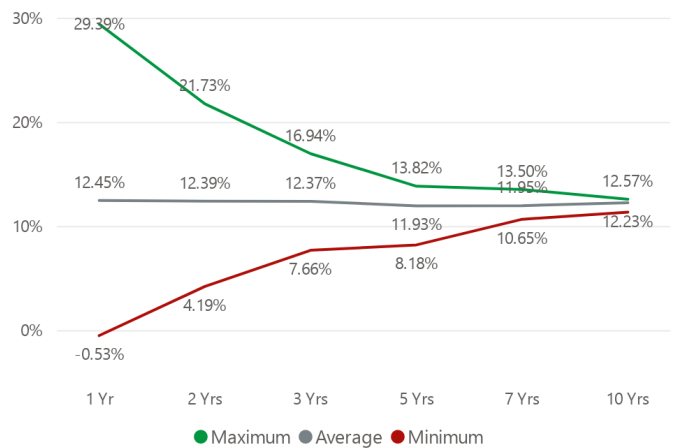
5 Yrs (% p.a.)



## Monthly histogram



## Minimum and maximum returns (% p.a.)





## Absolute performance analysis

| Instrument        | 1 Yr          | 3 Yrs        | 5 Yrs         | 10 Yrs        | Inception     |
|-------------------|---------------|--------------|---------------|---------------|---------------|
| <b>Investment</b> | <b>6.44%</b>  | <b>9.96%</b> | <b>11.06%</b> | <b>11.33%</b> | <b>11.74%</b> |
| Income            | 2.83%         | 1.35%        | 1.29%         | 0.65%         | 0.57%         |
| Growth            | 3.61%         | 8.62%        | 9.77%         | 10.68%        | 11.18%        |
| <b>Benchmark</b>  | <b>21.40%</b> | <b>7.21%</b> | <b>11.56%</b> | <b>9.47%</b>  | <b>11.77%</b> |
| <b>Median</b>     | <b>8.42%</b>  | <b>8.46%</b> | <b>10.10%</b> | <b>10.69%</b> | <b>11.20%</b> |
| <b>Cash</b>       | <b>3.85%</b>  | <b>1.70%</b> | <b>1.39%</b>  | <b>1.77%</b>  | <b>1.94%</b>  |

## Ranking within sector (p.a.)

| Ranking within Sector | 1 Yr    | 3 Yrs  | 5 Yrs | Inception |
|-----------------------|---------|--------|-------|-----------|
| Fund Ranking          | 11 / 15 | 6 / 10 | 3 / 5 | 2 / 3     |
| Quartile              | 3rd     | 3rd    | 2nd   | 2nd       |

## Absolute risk

| Instrument                         | 1 Yr   | 3 Yrs  | 5 Yrs  | 10 Yrs | Inception |
|------------------------------------|--------|--------|--------|--------|-----------|
| <b>Standard Deviation (% p.a.)</b> |        |        |        |        |           |
| Investment                         | 2.38%  | 4.76%  | 7.08%  | 5.45%  | 5.30%     |
| Benchmark                          | 12.59% | 15.53% | 17.02% | 14.05% | 13.43%    |
| Median                             | 2.19%  | 4.36%  | 7.18%  | 5.48%  | 5.32%     |
| <b>Downside Deviation (% p.a.)</b> |        |        |        |        |           |
| Investment                         | 0.62%  | 2.20%  | 5.09%  | 3.62%  | 3.39%     |
| Benchmark                          | 5.26%  | 10.30% | 11.22% | 9.36%  | 8.78%     |
| Median                             | 0.16%  | 2.24%  | 5.51%  | 3.91%  | 3.66%     |

## Absolute risk/return ratios

| Instrument                  | 1 Yr  | 3 Yrs | 5 Yrs | 10 Yrs | Inception |
|-----------------------------|-------|-------|-------|--------|-----------|
| <b>Sharpe Ratio (p.a.)</b>  |       |       |       |        |           |
| Investment                  | 1.09  | 1.74  | 1.37  | 1.75   | 1.85      |
| Benchmark                   | 1.39  | 0.36  | 0.60  | 0.55   | 0.73      |
| Median                      | 2.08  | 1.55  | 1.21  | 1.63   | 1.74      |
| <b>Sortino Ratio (p.a.)</b> |       |       |       |        |           |
| Investment                  | 4.16  | 3.75  | 1.90  | 2.64   | 2.89      |
| Benchmark                   | 3.34  | 0.54  | 0.91  | 0.82   | 1.12      |
| Median                      | 27.98 | 3.02  | 1.58  | 2.28   | 2.53      |

For performance analysis purposes, Zenith benchmarks all funds in the 'Alternatives - Private Equity' sub-sector against the MSCI World ex Aust Hedged \$A (Net dividends reinvested). This is not the Fund's stated benchmark.

The commentary below is as at 31 December 2023.

Partners Group expects to generate returns of between 10% p.a. and 12% p.a. (net of fees).

The Fund has achieved this performance objective over the medium to long-term. In addition, the Fund has delivered highly attractive risk-adjusted returns over the same time periods.



## Relative performance

### Excess returns

| Statistic                  | 1 Yr    | 3 Yrs  | 5 Yrs  | 10 Yrs | Inception |
|----------------------------|---------|--------|--------|--------|-----------|
| Excess Return              | -14.96% | 2.75%  | -0.49% | 1.86%  | -0.03%    |
| Monthly Excess (All Mkts)  | 41.67%  | 52.78% | 46.67% | 47.50% | 44.93%    |
| Monthly Excess (Up Mkts)   | 0.00%   | 20.00% | 16.22% | 21.52% | 20.21%    |
| Monthly Excess (Down Mkts) | 100.00% | 93.75% | 95.65% | 97.56% | 97.73%    |

### Capture ratios (% p.a.)

| Statistic        | 1 Yr    | 3 Yrs   | 5 Yrs  | 10 Yrs  | Inception |
|------------------|---------|---------|--------|---------|-----------|
| Downside Capture | -37.49% | -12.06% | -3.53% | -16.09% | -17.89%   |
| Upside Capture   | 8.02%   | 26.44%  | 31.85% | 34.66%  | 35.39%    |

### Tracking error (% p.a.)

| Instrument | 1 Yr   | 3 Yrs  | 5 Yrs  | 10 Yrs | Inception |
|------------|--------|--------|--------|--------|-----------|
| Investment | 13.81% | 15.41% | 15.19% | 13.26% | 12.78%    |
| Median     | 13.14% | 14.50% | 14.44% | 12.39% | 11.99%    |

### Information ratio

| Instrument | 1 Yr  | 3 Yrs | 5 Yrs | 10 Yrs | Inception |
|------------|-------|-------|-------|--------|-----------|
| Investment | -1.08 | 0.18  | -0.03 | 0.14   | -0.00     |
| Median     | -0.99 | 0.09  | -0.10 | 0.10   | -0.05     |

### Beta statistics

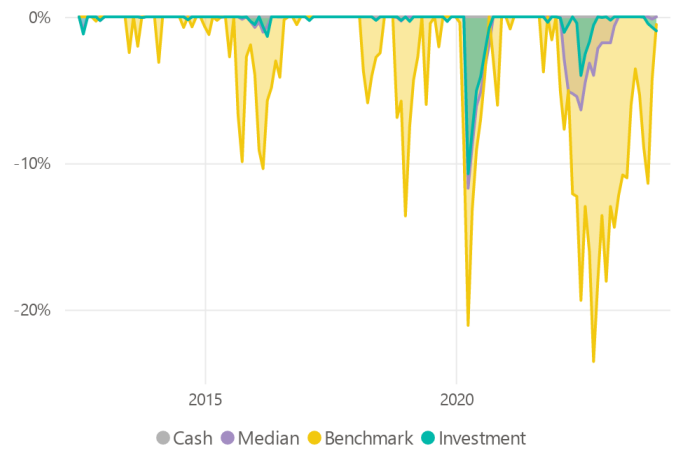
| Statistic   | 1 Yr  | 3 Yrs | 5 Yrs | 10 Yrs | Inception |
|-------------|-------|-------|-------|--------|-----------|
| Beta        | -0.08 | 0.05  | 0.19  | 0.13   | 0.13      |
| R-Squared   | 0.20  | 0.03  | 0.20  | 0.11   | 0.10      |
| Correlation | -0.44 | 0.18  | 0.45  | 0.34   | 0.32      |

The commentary below is as at 31 December 2023.

Zenith seeks to identify funds that can outperform in over 50% of months in all market conditions, as we believe this represents consistency of manager skill. Given the nature of the underlying investments, it is problematic to measure the level of excess returns relative to the Zenith assigned benchmark.

### Drawdown analysis (since inception)

Drawdown analysis assesses the relative riskiness of a Fund versus the benchmark, in reference to capital preservation. The maximum Drawdown is recorded as the percentage decline in the value of a portfolio from peak to trough (before a new peak is achieved). All Drawdown analysis is calculated commencing from the inception date of the Fund in question, and Drawdown analysis for the Fund and benchmark(s) are calculated independently. That is, the largest drawdown for the Fund and benchmark(s) will not always refer to the same time period.



The commentary below is as at 31 December 2023.

The Fund sustained its largest drawdown of -10.72% during the market volatility experienced in 2020. The Fund has had a constrained drawdown profile during other time periods.



## Fund commentary

### Fund risks

Zenith has identified the following key risks of the Fund. Although Zenith believes the risks noted are all significant, we have listed them in order of importance. In addition, we have not intended to highlight all possible risks.

**Liquidity gating risk:** Zenith notes that the monthly liquidity facility is subject to gating provisions which restricts redemptions to no more than 5% of the Master Fund's shares on issue at the end of the previous calendar quarter. Zenith highlights that the Master Fund has investors from multiple international jurisdictions and therefore the redemption activities of global investors can limit the liquidity for Australian investors.

**Delayed withdrawal payment risk:** While redemption requests are processed monthly, proceeds are payable at least 90 days after month-end. Furthermore, under the Fund's constitution, the payment of a withdrawal request can be delayed by over 100 days at the discretion of the Responsible Entity (Equity Trustees).

**Structuring risk:** The Fund invests in a feeder fund structure, in that the domestic unit trust invests in an offshore structure (i.e. Luxembourg-based). The use of interposed entities introduces additional structuring, complexity and regulatory risk, while also reducing the proximity between the Responsible Entity and the underlying investment portfolio.

**Leverage risk:** The Fund may establish credit lines to borrow up to 25% of its net asset value (NAV), however, such borrowing is only permitted for the purpose of satisfying withdrawal requests and helping with the implementation of the commitment strategy. The increased investment exposure resulting from borrowing may increase the volatility of the Fund's unit price by potentially magnifying gains and losses.

**Dilution risk:** The Fund invests in underlying unlisted investments of differing vintages through time. As the Fund receives new investor flow, the exposure of existing investors to previous vintages will be progressively diluted, whilst the new monies are invested into newer or other vintages. This aspect of the Fund's process may either be to the benefit or cost of Fund performance depending on the performance of the respective vintages.

**Competition risk:** Zenith has observed increased competition for Private Equity assets, which has resulted in transactions being completed at higher earnings multiples. As such, there is a risk of more muted returns from the strategy going forward. However, this risk is moderated due to our conviction in the Private Equity Direct team that is able to drive value additive initiatives within portfolio companies irrespective of changes in earnings multiples.

### Security/asset selection

The security selection process commences with the Relative Value Committee (RVC) defining the investment priorities on a semi-annual basis, based on the global economic outlook, the status of financial markets and a qualitative assessment of the current private market opportunity set.

The relative attractiveness of Direct, Primary and Secondary investments is analysed based on criteria such as availability, pricing and the potential of the opportunities within each segment. The RVC also discusses the attractiveness of different geographic regions and investment types. The output of the relative value analysis is then implemented through Partners Group's due diligence process.

The due diligence process is undertaken collectively by Partners Group's SICs and Specialist Investment Teams (SITs). The six SICs and SITs that provide investment opportunities to the GIC are noted below:

- Private Equity Directs
- Private Equity Secondaries
- Private Equity Primaries Asia, MENA and Emerging Markets
- Private Equity Primaries Europe
- Private Equity Primaries North America
- Private Debt

Each SIC and SIT follows a globally consistent investment selection process that includes five steps, some of which occur concurrently. The process starts with proactive deal generation and pre-selection, then continues with a thorough two-step due diligence process, and concludes with the execution and subsequent monitoring of an investment.

By investing across the full private market spectrum (i.e. Primary, Secondary and Direct), the firm is well-placed to gather and combine information on companies and their PE sponsors. Through the benefits of vertical integration, the firm has access to proprietary private company information, which would not generally be available in the public domain. Furthermore, with the participation of PE sponsored companies in the Syndicated Corporate Loan and Private Debt markets, Partners Group's activity in these markets provides additional insights.

This information is stored in a proprietary database, Navigator, where more than 36,000 PE-owned companies are closely monitored. Zenith believes that Navigator and the information it holds is a competitive advantage relative to smaller peers.

The two-step due diligence process involves a combination of qualitative and quantitative analysis, typically based on the following:

- Reports from third parties such as consultants, accountants, lawyers and investment partners
- Meetings with the management team
- Onsite visits
- Reference calls with parties related and unrelated to the investment target (such as independent industry experts)
- Tax and legal analysis by internal and external experts

Proposed investments are presented to the GIC by each respective SIC and these are selected on the basis of relative value against other opportunities, projected cash flow and portfolio requirements. The execution of approved investments is conducted independently by the portfolio and risk management team. Post investment, each SIC and SIT will continue to monitor the investment via a combination of update calls, visits, advisory board participation and benchmarking performance.



Zenith considers the sourcing of investment opportunities to be a critical aspect of private market investing. In our opinion, Partners Group has a strong record of sourcing deals owing to its scale, participation across the private market segments and the informational advantage it possesses.

#### Value creation

For Direct PE investments, the operating professionals actively work with portfolio companies to implement value creation strategies with the objective of extracting maximum return from each investment. The level of involvement is contingent on the opportunity for improvements and can range from appointing an interim full-time executive to developing operational improvement plans with senior management.

In addition to working with management, Partners Group will seek to implement strong governance frameworks by appointing its own board representation and/or providing input on board composition. This will typically include an independent chairperson and industry veterans.

In Zenith's opinion, the contribution from operating professionals within the PE Direct team is a key point of differentiation, contributing strongly to the firm's value creation capabilities. Given the level of competition for PE assets, the ability to have industry practitioners involved in the due diligence process is a strong point of differentiation and highly constructive under a competitive bidder situation.

Overall, Zenith believes that Partners Group's security selection process is well-structured and disciplined, leveraging its high-calibre investment teams that operate across the full spectrum of PE market segments.

#### Responsible investment approach

Partners Group has been a signatory to the Principles for Responsible Investment (PRI) since 2008. The firm also has an established Responsible Investment Policy (RIP), which was last updated in March 2022. Compliance with the RIP is overseen by the Investment Oversight Committee which advises the Board of Directors and oversees processes and decisions relating to investment activities including Environmental, Social and Governance (ESG) integration.

Partners Group believes that integrating ESG is important to enhance investment returns by mitigating risks posed by ESG factors as well as identifying opportunities that can enhance returns. ESG is primarily integrated within the due diligence section of the process. Investment teams will assess various ESG factors through a wide range of sources, including in-house knowledge as well as external sources such as ESG consultants.

For Direct PE, active ownership and engagement is implemented through the operating professionals and the governance structures installed at the portfolio company level. ESG improvement initiatives are integrated with value creation strategies.

The Fund screens out corporate activities relating to armaments, tobacco, adult entertainment, environmental degradation and human rights abuse.

Zenith has assigned the Fund a Responsible Investment Classification of Integrated.

#### Portfolio construction

The Fund is managed in accordance with a Strategic Asset Allocation (SAA), which is determined by the GIC with input from the firm's investment professionals. In addition, a Macroeconomic Research team regularly analyses long-term economic trends and correlations between different markets and their potential effects on the portfolio.

The long-term target allocation weights (as at 31 December 2023) for the Fund are:

- Investment types: 45% in Directs (equity or debt), 15% in Primaries, 15% in Secondaries, 20% in Private Debt and 5% in Cash
- Financing stages: 65% in Buyout, 15% in Venture Capital and 20% in Special Situations
- Geographic regions: 40% in Europe, 50% in North America, 8% in Asia-Pacific and 2% rest of the world

While these are the long-term target allocations, Partners Group uses relative value analysis to identify areas (investment types, financing stages and geographic regions) with the most attractive investment potential. As such, the Fund's actual allocations may deviate from the long-term target.

Once the most attractive private market segments have been determined, capital is allocated to particular investment opportunities within the established allocation ranges that are defined as per the Fund's SAA.

Investment level steering is a continuous process of adjusting the commitment level (i.e. capital that the Fund is committed to deploying, either existing or in the future, for a particular investment) of the Fund, with the view to maximising private markets exposure over time subject to liquidity considerations.

The portfolio and risk management team uses a sophisticated, proprietary model to forecast cashflows based on a rolling 12-month basis to determine the amount of commitments and investments required to achieve the desired level of invested capital or investment level.

The Master Fund may establish credit lines to borrow up to 25% of its NAV, however, such borrowing is only permitted for the purpose of shorter liquidity management (i.e. satisfying withdrawal requests and implementing the capital commitment strategy).

The Fund is 70% hedged in AUD using FX forwards rolled on a quarterly basis by the portfolio and risk management team. Zenith notes that the hedge ratio is arbitrarily set and would prefer to see greater robustness in the setting of the hedge ratio.

Overall, Zenith believes the portfolio construction approach follows a consistent and transparent process. We also consider the cashflow management strategy to be robust and is critical to ensuring sufficient liquidity given the semi-liquid nature of the Fund.

#### Risk management

Risk management is an integral part of the investment process and is addressed in a number of ways.





At the investment selection stage, the detailed level of research and due diligence undertaken by the SICs and SITs prior to investment serves to manage investment-specific risk. The multi-committee decision-making process also ensures that a wide range of issues are addressed and debated prior to any investment decision. Post-execution, each investment is closely and regularly monitored.

The portfolio and risk management team is responsible for quantitative measurement and management of the Fund's portfolio risks to ensure adherence to investment guidelines. The firm's investment risk control activities are based on proprietary quantitative models and stringent control processes.

There are regular risk reports generated that are designed to monitor and evaluate risks associated with the underlying investments and the portfolio in general. Such reports include views on regional allocations and concentration limit breaches.

Overall, Zenith views the risk management practices as comprehensive, supported by appropriate systems in place to monitor exposures at both the portfolio and underlying investment level. Zenith is also supportive of the independence of the portfolio and risk management team and their integration within the overall investment process.

### Investment fees

|                                    | Fund   | Sector Average  |
|------------------------------------|--|-----------------|
| Total Fees and Costs (RG 97)       | 2.16 % p.a.  | 2.90 % p.a.     |
| Management Fees and Costs          | 2.16 % p.a.  | 1.87 % p.a.     |
| Transaction Costs                  | 0.00 % p.a.  | 0.07 % p.a.     |
| Performance fees as at 30 Jun 2022 | 0.00 %   | 1.03 %          |
| Performance fees description       | Applied within the underlying Fund on a deal-by-deal basis |                 |
| Management Cost                    | 1.75 % p.a.  | 1.76 % p.a.     |
| Buy / Sell spread                  | 0.00 % / 0.00 %  | 0.11 % / 0.15 % |

*All fees and costs are inclusive of GST unless indicated otherwise. The Performance Fee shown is the performance fee disclosed in the PDS. It is calculated by taking the average performance fees charged over the last five financial years (or less if the investment or performance fee mechanism has not been in place for five financial years).*

The sector average management cost (in the table above) is based on the average management cost of all flagship 'Alternatives - Private Equity' funds surveyed by Zenith.

Zenith highlights that there are no performance fees payable by the Fund, however, there are performance fees payable by the Master Fund on Direct investments (15%) and Secondary investments (10%), on a deal-by-deal basis, where an internal rate of return of at least 8% p.a. has been achieved. Direct Debt investments have a 10% performance fee subject to a 4% p.a. hurdle.

Zenith believes the overall fee structure is reasonable given the nature of the strategy and the considerable resources employed to manage PE programs. In addition, we highlight that the fees charged are on an invested funds basis as opposed to committed funds for traditional private market investments.

*(The fees mentioned above are reflective of the flagship version only, fees may differ when the product is accessed through an alternate investment vehicle such as a platform).*

## About the fund manager

### Organisation

Partners Group Holding AG (Partners Group) was founded in 1996 in Switzerland and is headquartered in Zug. It was founded by ex-Goldman Sachs bankers Alfred Gantner, Marcel Erni, and Urs Wietlisbach. The firm was floated on the Swiss stock exchange in 2006 (PGHN:SIX). In September 2020, the firm was added to the Swiss Market Index (SMI).

Partners Group is a global private markets investment management firm with investment programs across Private Equity, Private Debt, Private Real Estate and Private Infrastructure. The firm manages a broad range of limited partnerships and customised portfolios for institutional and high-net-worth investors.

In addition to its headquarters in Zug, Partners Group has offices in most of the major regional centres.

As at 31 December 2023, the firm manages approximately \$US 147 billion. Partners Group's employees are the largest shareholder and effectively control the firm. Partners Group's third-party shareholders are predominantly large institutions.

As at 31 December 2023, Partners Group managed approximately \$A 12.3 billion in FUM in the Global Value strategy, which includes \$A 3.2 billion in the Australian Fund.

### Investment personnel

| Name               | Title  | Industry Experience (yrs) | Tenure (yrs) | Location         |
|--------------------|--|---------------------------|--------------|------------------|
| René Biner         | Chairman - Global Investment Committee           | 29                        | 24           | Zug, Switzerland |
| Dr. Marcel Erni    | Co-Founder                                       | 31                        | 28           | Zug, Switzerland |
| Alfred Gantner     | Co-Founder                                       | 31                        | 28           | Zug, Switzerland |
| David Layton       | Chief Executive Officer                          | 20                        | 18           | Boulder, USA     |
| Dr. Stephan Schali | Chief Investment Officer                         | 31                        | 25           | Zug, Switzerland |
| Roberto Cagnati    | Chief Risk Officer & Head of Portfolio Solutions | 24                        | 20           | Zug, Switzerland |
| Andreas Baumann    | Partner, Private Equity Partnership Investments  | 30                        | 20           | Zug, Switzerland |
| Bill Berry         | Partner, Chairman of Private Debt                | 27                        | 7            | Denver, USA      |



| Name          | Title                      | Industry Experience (yrs) | Tenure (yrs) | Location      |
|---------------|----------------------------|---------------------------|--------------|---------------|
| Andrew Bellis | Partner, Head Private Debt | 25                        | 6            | New York, USA |

Partners Group's investment team comprises separate groups, each responsible for discrete parts of the investment process. Investment decision making across the platform is managed via a collection of committees.

The Global Investment Committee (GIC) governs the firm's overall approach, is informed of all investment opportunities from an early stage and oversees the final decision for all private market investments. The GIC comprises the firm's most senior personnel and is chaired by Rene Biner. Zenith holds the members of the GIC in high regard owing to their extensive experience and track record in private market investing.

The GIC is supported by a number of Specialised Investment Committees (SIC), which are responsible for investment pre-selection and deal development within their respective private market segments and for approving investments, subject to the type and size of the deal. Each SIC comprises the most senior investment professionals within each respective private market segment.

The GIC, as well as the SICs, meet on a weekly basis and are responsible for the Fund's compliance with top-down asset allocation and ensuring that the investment strategy, team composition, track record, relative market positioning, terms and conditions of potential investments have been checked and meet organisational standards.

Each SIC receives investment proposals from the respective investment teams that specialise in the various private market segments, referred to as Specialist Investment Teams (SIT). As part of their assessment of each potential investment, the SITs will evaluate market analysis, value creation potential and sensitivity analysis. Zenith believes the SITs are well-resourced and of high calibre, which provides the Fund with ample high-quality investment opportunities.

Team members from the following SITs contribute to the Fund's investment activities: Private Equity (Direct, Primary and Secondary) and Private Debt. Most notable is the Private Equity Direct team, which has over 250 investment professionals.

Zenith highlights that the PE Direct team are supported by specialist industry teams, which work closely with each portfolio company, to drive revenue growth, implement cost-saving initiatives and promote operational efficiencies.

While the backgrounds of the operating specialists are diverse, a common thread is the level of management consulting and/or deep industry experience. Zenith believes the support of these operating specialists is a key competitive advantage and differentiating aspect of the investment structure.

The portfolio and risk management team comprises more than 60 portfolio managers, quantitative specialists and risk managers. The team manages the funding process and implementation of all approved investments independently from the SICs and SITs.

Zenith notes that Partners Group has in place a strong succession planning framework. This is demonstrated through widely dispersed management responsibilities (mitigating key

person risk), long-term equity participation initiatives (designed to align the interests of the investment team and the investors) and a dedicated recruitment and staff retention program. All investment staff have significant lock-in through vesting equity participation which is tied into the success of the business. This also provides for an alignment of interests between the investment staff and investors.

Zenith believes the investment team is one of the strongest within the peer group, owing to a deep pool of highly capable and experienced investment professionals.

## About the sector

### Sector characteristics

The Zenith 'Alternatives – Private Equity' sub-sector consists of managers that invest in unlisted or private companies to achieve high returns, typically exceeding those available in public listed markets. A key differentiating aspect of Private Equity investing is the relationship between the Private Equity manager and the company, which typically involves board representation and collaboration on a number of strategic initiatives to grow revenues and ultimately profitability.

Within the Private Equity sector, there is a risk continuum of investment strategies, ranging from early-stage Venture Capital (VC) companies to mature companies that are being prepared for an Initial Public Offering (IPO). Consistent with the underlying risks, the return expectations across different types of Private Equity strategies vary significantly, with VC companies offering the highest expected returns.

Key features of investing in Private Equity include the following:

**Illiquidity** – Given the nature of the underlying assets, Private Equity is generally a long-term investment with limited liquidity (generally at the end of a pre-defined investment period). Thus, it is common for Private Equity funds to be managed with long lock-up periods, redemption limits and lengthy notice periods.

**J-Curve effect** – The return profile of Private Equity typically exhibits a J-Curve where negative or muted returns are experienced in the early years, followed by strong outsized returns as investments mature and are realised. It is important for Private Equity managers to manage the vintage of their portfolio, ensuring capital is allocated to a mix of early and late-stage investments.

**Volatility** – Private Equity assets typically exhibit lower volatility compared to their listed market equivalents. This is due to the frequency of valuations (e.g. quarterly or semi-annually) and the valuation methodologies applied (i.e. cashflow/earnings multiples).

Zenith benchmarks all funds in the 'Alternatives – Private Equity' sub-sector against the MSCI World ex-Australia \$A (Hedged) Index.

### Sector risks

Funds within the 'Alternatives – Private Equity' sub-sector are exposed to the following broad risks:

**Commitment risk:** Investment in Private Equity requires capital commitments and the provision for uncalled capital. As such, there is a risk that a manager may be over-committed and may need to sell illiquid assets at a discount to meet capital



requirements. Conversely, a manager may provision excessive liquidity or cash, which can lead to a cash drag on performance.

**Limited redemption risk:** By nature, Private Equity investments are long-term and illiquid investments. Whilst Private Equity managers often have liquidity measures in place to facilitate investor redemptions, investors may be limited by how much of their investment can be withdrawn at any one time.

**Valuation risk:** There are various methods to value Private Equity investments, including market-based approaches (e.g. comparable transactions, market multiple comparisons of peer companies) and valuation-based approaches (e.g. discounted cash flow (DCF), earnings multiples measure). Therefore, there is the potential for subjectivity in the valuation process resulting in the potential over-statement of the value of portfolio companies.

**Management execution risk:** Private Equity investments rely on cooperation between the manager and senior management of the underlying portfolio companies to execute value-add strategies and initiatives. In cases where collaboration is low and senior management underperforms, performance may be adversely impacted.

**J-Curve risk:** Some Private Equity funds may deliver muted or negative returns in the early years of investment. This is primarily due to the time lag between a Private Equity manager acquiring a portfolio company and implementing a range of growth and/or revenue initiatives. These muted returns are generally followed by strong outsized returns as investments mature and are realised.

## Zenith rating

### Report certification

Date of issue: 08 Feb 2024

| Role        | Analyst           | Title  |
|-------------|-------------------|--|
| Analyst     | Darryl Ding       | Investment Analyst                           |
| Sector Lead | Rodney Sebire     | Head of Alternatives & Global Fixed Interest |
| Authoriser  | Bronwen Moncrieff | Head of Research                             |

### Association & relationship

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### Rating history

| As At       | Rating             |
|-------------|--------------------|
| 08 Feb 2024 | Highly Recommended |

| As At       | Rating             |
|-------------|--------------------|
| 06 Feb 2023 | Highly Recommended |
| 02 Feb 2022 | Highly Recommended |
| 09 Feb 2021 | Highly Recommended |
| 30 Jan 2020 | Highly Recommended |

*Last 5 years only displayed. Longer histories available on request.*

In March 2021, Zenith implemented a new ratings methodology for products classified as Traditional Index. Any rating issued from this date forward for Traditional Index products only reflect this change in methodology, with the relevant Traditional Index ratings being Index Approved, Index Recommended and Index Highly Recommended. Ratings issued for Traditional Index products prior to March 2021 are retained for historical purposes in line with our regulatory requirements and were issued in line with Zenith's Fund Research Methodology. Further information in relation to Zenith's Traditional Index Research Methodology and Traditional Index Ratings can be found on the Zenith website.



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