PGG Update – July 16th 2024

Hello, my name is Andrew Bellis.

As we move into the third quarter of 2024 it's a good time to provide our unitholders with an update on the Partners Group Global Income Fund and broader market conditions.

2024 can so far be characterized as a year of "risk on" appetite across several asset classes and Senior Secured Loans both syndicated and more direct transactions have been beneficiaries of this with continued modest price increases across the these markets.

If we look broadly across the portfolio and take a view on corporate health, the picture is good. Overall earnings are expected to remain fairly stable and leverage at the company level has trended downwards, with portfolio companies operating with roughly 1 turn less of leverage versus the end of 2021. Interest coverage ratios are also still robust at around 3 times on average across the portfolio despite a significantly higher interest rate environment. Companies have been successful at extending debt maturities. Indeed, if we look at the portfolio of the Fund, less than 5% has a maturity of under 2 years; with the majority of the portfolio having maturity dates of 5 years or longer.

Interest rates remain at elevated levels globally; RBA is still at 4.35%, and whilst there are signs of interest rate cuts in the US later this year, the various central banks appear to be slow moving and want to ensure inflation is fully under control before cutting rates. We therefore think overall yields for Senior Secured Loans will remain attractive well into 2025. The fund has in our view an attractive current yield of approximately 10% and continues to generate a significant amount of running income.

Throughout 2023 prepayment activity across the portfolio was very muted in comparison to historical levels: largely as a result of market volatility and a very low level of M&A and new Private Equity activity. Whilst M&A activity has picked up, we expect it to remain somewhat subdued for next 6-12 months due to rates remaining higher for longer, coupled with ongoing geopolitical tensions and upcoming elections.

During the first half of this year we have observed an increase in the prepayment rate across the portfolio of the fund compared to last year. This has been notable across the direct loans in the Fund with a number of repayments occurring from companies such as a UK veterinary business; a global skincare company and a US provider of Software as a Service solutions. We see this as a positive development as it allows us to realize returns on these investment and to re-invest the proceeds into new direct loan opportunities.

As a result of these prepayments and other portfolio rotations we made a number of new direct loan investments so far this year consistent with our aim of increasing the Funds exposure in this area. These new additions include loans to a Belgian insurance brokerage platform; a professionally managed IT services provider in New Zealand; a US-based dental support organization; and one of the leading manufacturers and providers of fire safety equipment and solutions in France.

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We also continue to have a strong pipeline of new direct lending investment opportunities also having and expect to continue to have good investment flow in this area throughout the rest of the year which offsets the higher level of prepayments.

We believe the Fund continues to represent a good investment opportunity with a significant income return component complemented with downside protection through a highly diversified global portfolio focused on first lien senior secured loans to large and established businesses. We have continued to make our stated distribution each month which is set at RBA + 4% per unit; so currently a distribution rate of 8.35% per annum paid on a monthly basis. Similar to prior years we also expect to make a small additional distribution in July at the fiscal year end.

Many thanks for your continued support, Andrew

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