Partners Group

REALIZING POTENTIAL IN PRIVATE MARKETS

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Q3 2023 Review

Partners Group Listed Investments SICAV – Listed Private Equity

Bilge Ogut Head Private Equity Technology | **Shubhasish Chattoraj** Private Equity Health & Life Singapore

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2023 Q3 review

Partners Group Listed Investments SICAV – Listed Private Equity completed another strong quarter and was up 7% bringing the year-to-date performance to +19%. Overall, market sentiment remained supportive as inflation rates declined, particularly in the beginning of the quarter, macroeconomic data remained robust and, most importantly, companies reported solid second-quarter earnings. During the quarter, alternative asset managers, particularly ones with a focus on debt, and business development companies (BDCs) performed best, as both benefit from higher interest rates, while private equity vehicles were flat.

Alternative asset managers were the best performers and gained on average 12%. Apollo Global was amongst the top performers. The company benefitted from its focus on debt and reported strong quarterly results. Fee- and spread related earnings increased by 14% quarter-over-quarter and fee-paying assets under management are up by 4%. Despite limited transaction activity, the company managed to deploy USD 34 billion, slightly more than in the previous quarter and raised new assets of USD 35 billion. Another strong performer was Blackstone. The company raised USD 30 billion during the quarter, bringing total assets under management above USD 1 trillion and making Blackstone the first alternative asset manager to reach this milestone. Blackstone was also the first alternative asset manager to be included in the S&P500, paving the way for other managers like Apollo Global and KKR to be included in the index.

BDCs were the second-best performing segment and increased on average by 10%. The segment benefits from rising interest rates as their portfolios are mainly invested in floating rate debt. Amongst the best performers was Golub BDC. The company reported 23% growth in net earnings and a 12% increase in dividend. The balance sheet remains healthy with sufficient available liquidity and stable credit quality. Non-accruals decreased and the percentage of loans with the highest likelihood of credit impairments decreased to just 0.3% in Q2, the lowest point since March 2018. Lastly, the manager reduced management fees significantly, which should support further dividend increases. Another strong performer was Sixth Street Specialty Lending. Like Golub, the BDC also profited from rising rates and grew net investment income by 10% during the last quarter. The manager slightly reduced leverage and the credit quality of the underlying portfolio remained solid with only 0.6% non-accruals.

Private equity vehicles were flat during the last quarter. The performance range of companies in that segment was wide, with diversified, mature portfolios performing better than growth-oriented ones. Amongst the best performers was Pantheon. The company published results and reported strong fundamental performance of its underlying portfolio with revenue and EBITDA growth of more than 18% vs. just 7% for the MSCI World over the past five years. Additionally, the company reported NAV growth as well as distributions from the sale of three companies, namely Pizza Hut Australia (which is the Australian arm of the largest pizza chain in the world), a corporate service provider in Hong Kong, and a provider of energy solutions in Austria. On the other hand, Kinnevik performed weaker. The portfolio is more growth-oriented and suffered from deteriorating market sentiment, resulting in lower valuation multiples and a moderate NAV decline. Management is working closely with several portfolio companies and points out that the IRR for the 2018-23 cohort still stands at 22%. Kinnevik continued to invest throughout the quarter in portfolio holdings with the highest conviction and benefits from a strong balance sheet to further support holdings.

During the third quarter, there were no major portfolio changes except for rebalancing towards more debt-oriented alternative asset managers. The majority of assets under management within that segment is now invested in debt strategies, primarily with floating interest rates.

Contacts

partnersgroup@partnersgroup.com
www.partnersgroup.com

Zug
Zugerstrasse 57
6341 Baar-Zug
Switzerland
T +41 41 784 6000

Denver
1200 Entrepreneurial Drive
Broomfield, CO 80021
USA
T +1 303 606 3600

Houston
5847 San Felipe Street, Suite 1730
Houston, TX 77057
USA
T +1 713 821 1622

Toronto
Exchange Tower, 130 King Street West,
Suite 1843
Toronto, ON M5X 1E3
Canada
T +1 416 865 2033

New York
The Grace Building
1114 Avenue of the Americas, 41st Floor
New York, NY 10036
USA
T+1 212 908 26 00

São Paulo
Rua Joaquim Floriano, 1120 – 11° andar
CEP 04534-004, São Paulo – SP
Brazil
T +55 11 3528 6500

London
110 Bishopsgate, 14th floor
London EC2N 4AY
United Kingdom
T +44 20 7575 2500

Guernsey
P.O. Bos 477
Tudor House, Le Bordage
St Peter Port, Guernsey
Channel Islands, GY1 1BT
T +44 1481 711 690

Paris
14, rue Cambacérès
75008 Paris
France
T +33 1 70 99 30 00

Luxembourg
35D, avenue J.F. Kennedy
L-1855 Luxembourg
B.P. 2178, L-1021 Luxembourg
T +352 27 48 28 1

Milan
Via della Moscova 3
20121 Milan
Italy
T +39 02 888 369 1

Munich
Skygarden im Arnulfpark
Erika-Mann-Str. 7
80636 Munich
Germany
T +49 89 38 38 92 0

Dubai
Dubai International Financial Center
Level 3, Gate Village 10
P.O. Box 125115
Dubai, UAE
T +971 4 401 9143

Mumbai
Suite 3103 (Four Seasons Hotel)
Plot No. 1/136, Dr. E Moses Road, Worli
Mumbai 400 018
India
T +91 22 2481 8750

Singapore
8 Marina View
Asia Square Tower 1 #37-01
Singapore 018960
T +65 6671 3500

Manila
18/F Net Park Building
5th Avenue Corner 26th Street
Bonifacio Global City, Taguig
1634 Metro Manila
Philippines
T + 63 2804 7100

Shanghai
Unit 1904-1906A, Level 19
Tower I, Jing An Kerry Center
No. 1515 West Nanjing Road
Jing An District, Shanghai 200040
China
T +8621 2221 8666

Seoul
25th Fl. (Gangnam Finance Center,
Yeoksam-Dong) 152 Teheranro
Gangnam-Gu, Seoul 135-984
South Korea
T +82 2 6190 7000

Tokyo
Daido Seimei Kasumigaseki Bldg. 5F
1-4-2 Kasumigaseki, Chiyoda-ku
Tokyo 100-0013
Japan
T +81 3 5532 2030

Sydney
Level 32, Deutsche Bank Place
126 Phillip Street
Sydney NSW 2000
Australia
T +61 2 8216 1900