Partners Group

REALIZING POTENTIAL IN PRIVATE MARKETS

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Q3 2021 Review

Partners Group Listed Investments SICAV – Listed Private Equity

Joel Schwartz Co-Head Private Equity Services | **David Layton** Chief Executive Officer

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2021 Q3 review

Partners Group Listed Investments SICAV – Listed Private Equity continued to perform well and generated a total return of 5% during the third quarter, bringing the year-to-date performance to 37%. Market sentiment was positive in the first two months of the quarter, driven by recovering economic growth and accommodative monetary policies. During September however, investors turned more cautious because inflation remained elevated, growth is expected to normalize, and the potential tapering of the FED's bond purchases. Despite these concerns, all segments of the listed private equity fund performed well over the quarter and continued benefitting from a favorable fundamental situation including strong fundraising, increasing transaction activity and solid portfolio returns

Alternative asset managers and Fund-of-Funds performed best, generating an average return of 9-10%, each. Alternative asst managers continued to benefit from a very supportive fundraising environment. Institutional investors have increased their allocations to private market managers over the past quarters and there are indications that this trend will continue. Among the best performers were Blackstone and EQT. The former reported gross inflows of USD 37bn during the past quarter and subsequently, entered into an agreement with the insurance company AIG to manage up to USD 90bn of additional AUM. Transaction activity also remained high including the sale of the Cosmopolitan hotel in Las Vegas for USD 5.7bn, which was acquired in 2015 for USD 1.7bn, as well as the new investment in the data center QTS for USD 10bn. EQT also reported strong results and grew assets under management to EUR 71bn, an increase of 95% year-over-year. The company has been particularly active including investment in a leading waste-to-energy operator for USD 5.3bn or the data center EdgeConneX.

Fund-of-funds were the second-best performer, following its weak performance during the past quarter. The sector benefitted from solid NAV growth of their underlying portfolios, which was driven by increasing EBITDA and revenue. Pantheon was a strong performer and increased NAV by 20% during the financial year ending May 2021, and another 12% since then. Despite the solid performance, the company remains attractively valued at a discount to NAV of 24%.

BDCs also performed well. The companies primarily provide debt for leveraged buyouts and with increasing transaction activity, they could originate more loans and grow their portfolios. In addition, the sector benefitted from expectations about rising rates as the majority of the loans have floating interest rates exposure. During the last quarter, Oaktree Specialty Lending was the best performing BDC. The company reported strong portfolio returns with NAV per share exceeding pre-COVID levels. The portfolio remains defensively positioned with a high allocation to stable, first lien and no non-performing loans. Net investment income has grown by 58% year-over-year and subsequently, the board increased the dividend by 12%, its fifth consecutive quarter with a dividend increase.

Direct investment companies were the weakest performers, gaining 3% on average, after strong performance during the previous two quarters. Portfolios with exposure to software and IT held up well. Among the best performers was the UK investment company, Apax Global Alpha. The company reported results for the first half, with NAV increasing by 17%. The private equity portfolio developed well and grew revenue and EBITDA by 22% and 43%, respectively. Exits were also strong and generated a money multiple of 3.9x and a gross IRR of 52% .

The portfolio remains well-positioned to benefit from the favorable fundraising environment and elevated level of transaction activity. We made a new investment in Bridgepoint during the quarter, as the alternative asset manager made an initial offering to the market. The company focuses on private equity, has a solid track record, significant catch-up potential in terms of expanding into new strategies and is attractively valued. In turn, we reduced exposure to more cyclical direct investment companies.

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