Partners Group
REALIZING POTENTIAL IN PRIVATE MARKETS

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Q1 2022 Review

Partners Group Listed Investments SICAV – Listed Private Equity

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2022 Q1 review

Partners Group Listed Investments SICAV – Listed Private Equity reported a challenging start to the year after strong performance in 2021 and declined by 11% during the first quarter. This was primarily driven by negative sentiment due to broader macroeconomic and political concerns, including high inflation, expectations of faster interest rate rises, and the invasion of Ukraine, while underlying businesses have not indicated any fundamental deterioration. Against this backdrop, all segments of the Fund contributed negatively except for business development companies, which benefit from higher interest rates.

Alternative asset managers were the weakest performers, declining 13% on average. The segment mainly suffered from expectations of rising interest rates, which resulted in a de-rating of the stocks, particularly those trading at high valuation multiples. The Swedish private equity manager EQT, was among the laggards, despite reporting strong results for the past year and providing a positive outlook for this year. Assets under management grew by 42%, all strategies generated high double-digit returns, and the two flagships, private equity and infrastructure, exited investments at an average money multiple of 2.6x and 2.4x, respectively. In Q1 2022, the company has continued to build its platform and expanded into Asia. It acquired two managers, Baring Private Equity Asia, a leading private equity investor with EUR 18 billion of AUM, and Logi Bear, a specialist for Korean and Japanese logistics properties, which benefit from the rise of e-commerce. Lastly, management is currently in the market with the private equity flagship fund EQT X and targets USD 20 billion.

Fund-of-funds and direct investment companies, each lost 9% on average. The fund-of-funds segment suffered from discount widening. Based on “live” NAVs, the vehicles are currently trading at discounts of 23-30%, while most recent updates were in line or exceeding investor’s expectations and did not indicate any disruption of the business drivers. Deployment and exit activity remained at strong levels and exits markedly above carrying values indicated conservative valuations.

The decline in direct investment companies was mainly driven by the de-rating of growth-oriented portfolio companies. Kinnevik was amongst the weakest performers and mainly impacted by lower valuations for one of its holdings, Global Fashion Group, an online fashion retailer focusing on growth markets despite recent updates confirming the growth of the business. Order volumes increased 20% and active customers grew by 5% to 17m just in the last quarter.

Business development companies ("BDCs") were the best performers, gaining 3% on average. The sector benefitted from expectations of rising interest rates as most investments have floating interest rates, while liabilities primarily have fixed interest rates. Among the best performers were Owl Rock Capital and Ares Capital Corporation, both well-established managers with defensive portfolios and strong origination platforms that are likely to be more resilient, even if loan originations slow down.

The portfolio remains focused on alternative asset managers, where the outlook for fund raising, despite short-term uncertainties, remains promising, as well as direct investment companies with exposure to software, IT, services and e-commerce. At the beginning of the year, we reduced our exposure to more cyclical or richly valued direct investment companies. We exited our position in Wendel, given the disappointing performance of a private tower operator and its exposure to global trade. We also exited our position in Sofina, given the rich valuation. During February and March, we started to increase our allocations to alternative asset managers after valuations de-rated and added two BDCs, with leading origination platforms and strong dividend coverage, which could be acquired below NAV.

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