Q4 2024 Review

Partners Group Listed Investments SICAV – Listed Private Equity

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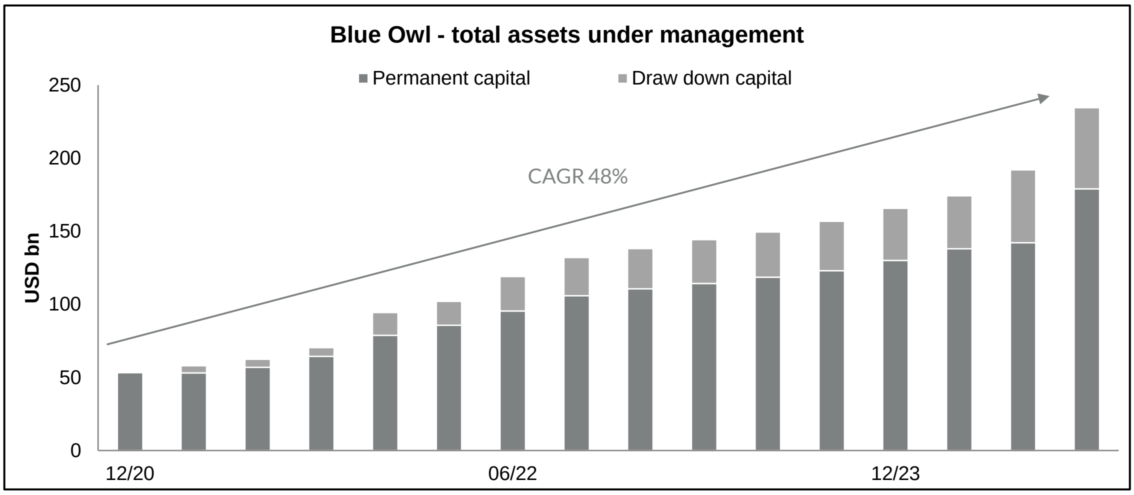
2024 Q4 review

Partners Group Listed Investments SICAV – Listed Private Equity reported another positive quarter, increasing by 9.3% (EUR). The fund closed the year 2024 with a gain of 32.2% and generated a compound annual growth rate of +15.1% over the past decade. During the fourth quarter, all segments contributed positively. Alternative asset managers were the best performers and benefitted from strong earnings results, the inclusion of Apollo Global Management in the S&P 500 Index, and positive sentiment after Donald Trump's election victory. Market participants are optimistic about anticipated tax cuts, potential deregulation and a private market-friendly administration, which is expected to spur transaction activity and potentially easier access to the US retirement market. Private equity vehicles were mainly driven by continued NAV growth, and to a smaller extent, by discount contraction. Private debt vehicles were positively impacted by improving credit quality and a favorable interest rate outlook for the US.

Alternative asset managers increased by 15% on average during the fourth quarter. Apollo Global Management was the best performer. The company was added to the S&P 500 Index in December and, after Blackstone and KKR, is now the third alternative asset manager in the index. In addition, Apollo reported solid earnings results for the third quarter, exceeding expectations. Gross inflows grew by 27% year-over-year, reaching USD 42 billion, and total assets under management increased to USD 733 billion. More importantly, transaction activity accelerated during the third quarter, with Apollo deploying USD 76 billion - a 111% increase compared to the same period last year - bringing total deployments over the last twelve months to USD 248 billion.

Another strong performer was our latest portfolio addition, the alternative asset manager Blue Owl. Established in 2021 through the merger of Dyal Capital and Owl Rock, Blue Owl has since then grown its AUM at a CAGR of 48% and expanded its product offerings.



Currently, its strategies include private debt (accounting for 55% of assets), private equity (26%), and private real estate (19%). Compared to peers, Blue Owl stands out due to its high share of permanent capital, which accounts for 75% of assets. During the past quarter, Blue Owl reported strong quarterly results, including a 50% year-over-year increase in fee-paying AUM, supported by robust fundraising and the completion of two acquisitions: Kuvare, an insurance-focused manager, and Atalaya, a credit-focused manager. Additionally, management announced the acquisition of the digital infrastructure manager IPI Partners.

Private debt vehicles also performed well and gained 14%. The best performer in that segment was Ares Capital Corporation. The company was the first debt vehicle to report earnings and alleviated concerns about declining credit quality, with non-accruals falling to 1.3% of cost. The portfolio remains healthy, with companies reducing leverage and increasing interest coverage to 1.8x. Ares also grew its investment portfolio by 4% quarter-over-quarter, benefiting from rising deployments, and currently generates an average portfolio yield of over 11%.

Private equity vehicles increased on average by 5%. HarbourVest Global Private Equity was among the best performers. Despite an impressive NAV track record with a compound annual growth rate of 13% over the last decade, the stock is currently trading at a discount to NAV of approximately 35-40%. Activist investor Metage Capital has built up a stake and communicated with shareholders, advocating for enhanced share buybacks. Given the substantial discount to NAV, such actions are highly accretive and support growth in NAV per share. In addition, HarbourVest announced results including improved NAV growth and realizations, and a growing distribution pool allocated to share buybacks.

During the fourth quarter, we adjusted our allocations within alternative asset managers and slightly shifted towards direct investment vehicles, primarily due to valuations. We reduced our exposure to KKR. The stock was included in the S&P 500 Index during the summer and has since increased by approximately 60%. In turn, we have built up a new position in the debt-focused alternative asset manager, Blue Owl. Despite the strong AUM track record, the company was attractively valued and given its strong private debt platform, it is well-positioned to expand in the insurance segment and, though not a top candidate, could be considered for inclusion in the S&P 500. We also moderately shifted from alternative asset managers to direct investment vehicles and have added to positions with high discounts to NAV. During the past quarter, HarbourVest Private Equity became one of our top positions. Despite its strong NAV track record, share buyback programs, and an activist investor pushing for more share buybacks, the stock is still trading at an attractive valuation.

Overall, the portfolio remains concentrated on alternative asset managers as well as private equity vehicles. Within alternative asset managers, the focus is on managers with strong fundraising outlooks and company-specific catalysts such as index inclusions. Regarding assets under management, we focus on private debt and private equity strategies, while we keep exposure to private real estate low. In addition, the potential opening of US 401(K) accounts to private markets, something that Trump is supportive of, would create a large tailwind for the whole sector, potentially giving the industry several trillions of new assets. Within private equity vehicles, we focus on strong NAV track records and high discounts to NAV.

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