Q3 2024 Review

Partners Group Listed Investments SICAV – Listed Private Equity

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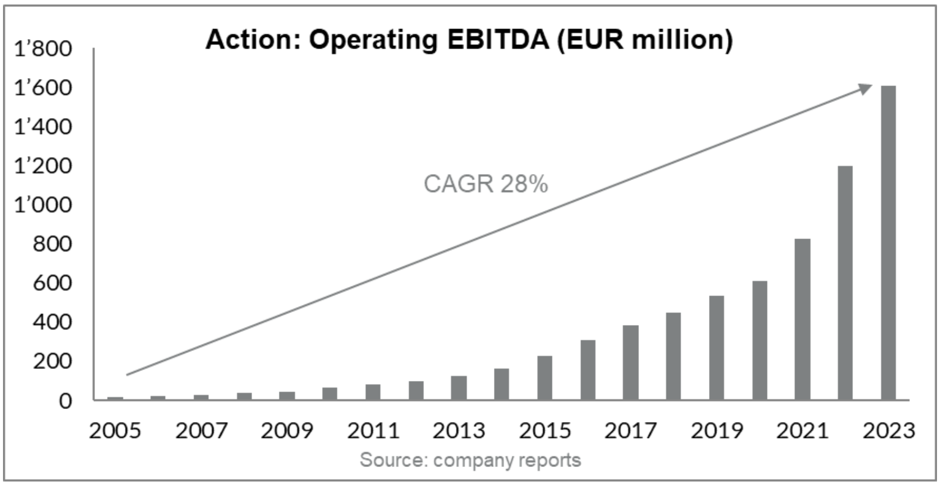
2024 Q3 review

Partners Group Listed Investments SICAV – Listed Private Equity reported another positive quarter and increased by 7.6% bringing the year-to-date return to 21%. During the third quarter, alternative asset managers performed best. The segment benefitted from an uptick in transaction activity as well as improved sentiment given renewed confidence in a soft landing and declining interest rates. Private equity vehicles were the second-best performers and benefitted from continued NAV growth and moderate discount contraction.

Alternative asset managers increased on average by 11% during the quarter. Amongst the best performers was KKR. The company has recently been added to the S&P 500, reported strong earnings results and provided a positive outlook. During the last quarter, KKR raised USD 32 billion of new capital, bringing total AUM to over USD 600 billion, which represents a 16% increase year-over-year, and targets a fundraising goal of over USD 300 billion for the period 2024-2026. Transaction activity also gained momentum, with USD 23 billion deployed and a full pipeline for the second half of the year. Lastly, performance across all strategies remained strong, with private equity increasing by 18%, private infrastructure by 17% and both credit platforms (leveraged and alternative) by 12% over the past 12 months. Another strong performer was CVC, the UK-based private equity manager. The company published its update for H1 and reported a 45% increase in fee-paying assets under management since the end of 2023, driven by the activation of several larger funds, including the flagship fund Europe/Americas IX. In line with broader industry trends, CVC benefitted from recovering deployments and exit activity, which increased by 63% and 108% during the first half, respectively. Lastly, management expanded the platform further and finalized the acquisitions of DIF Capital Partners and Glendower Capital, adding infrastructure and private equity secondaries strategies.

Private equity vehicles gained 4%. 3i Group was once again a strong performer, after publishing results. The main portfolio holding, Action, reported revenue and EBITDA growth of 28% and 34% for the past year, respectively. This growth was comprised of like-for-like sales growth of 17% and the opening of 303 new stores. The company maintained that performance into 2024, achieving an additional 21% increase in revenues and management remains optimistic, aiming for an annual EBITDA growth of 20%, which is below the company's historic growth rate.



Another strong performing private equity vehicle was Hg Capital Trust. Its largest portfolio companies generated revenue and EBITDA growth of 19% and 26%, respectively over the past twelve months. The vehicle also benefitted from increasing transaction activity, deploying approx. 13% of its market capitalization over the past quarter, and moderate discount to NAV contraction.

Private debt vehicles on the other hand, performed the weakest. Their portfolios are mainly invested in loans with floating interest rates and suffered from the expectation of declining rates. Blue Owl Capital Corporation was the laggard. The BDC published results and reported declining net interest margins as well as unrealized credit losses, which resulted in a drop in net income and net assets.

At the beginning of the last quarter, we reduced our exposure to private debt vehicles. We exited Oaktree Specialty Finance as our main catalyst, a rotation out of legacy assets materialized and credit ratings deteriorated. We also sold Sixth Street Specialty given its rich valuation. In turn, we allocated more to private equity vehicles with attractive discounts to NAV, and increased our stake in CVC, due to the attractive fundraising outlook.

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