Q1 2024 Review

Partners Group Listed Investments SICAV – Listed Private Equity

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2024 Q1 review

Partners Group Listed Investments SICAV – Listed Private Equity reported a strong start to the new year and increased by 11% during the first three months, driven by robust earnings reports of the portfolio holdings. Alternative asset managers performed best and exceeded investors' expectations, particularly on fundraising. Private equity vehicles reported solid NAV growth and announced corporate actions such as share buybacks, while private debt vehicles continued to benefit from higher interest rates.

Alternative asset managers gained on average 16% during the first quarter, driven by strong results for the full year 2023 and a better-than-expected outlook for 2024. Among the best performers was Carlyle. Despite a challenging fundraising environment, the company reported a 15% increase in fee-paying assets under management and, more importantly, announced a strategic update. Going forward, shareholders will get a higher allocation of stable, fee-related earnings, while employees will receive more carry, which tends to be more volatile and valued at a lower multiple by the market. In addition, management also announced a larger share buyback program. Another strong performer was EQT, mainly driven by positive management guidance at its capital markets day, continued growth in fund sizes and the contribution from new distribution channels. They updated mid- to long-term targets, including management fee growth above the industry average, management fee margin of 55-65%, and opportunistic share buybacks. The company also announced that during 2024, it secured commitments of EUR 25bn for private equity strategies, including EUR 22bn for EQT X and EUR 3bn for EQT Future, which was positively received.

Private equity vehicles were the second-best performing segment and increased by 9% on average during the first three months. 3i Group was the best performer and driven by strong growth of its underlying portfolio companies. Its largest holding, Action, continues to perform well, with sales and EBITDA growth of 28% and 34% in 2023. The increase was driven by like-for-like sales growth of 17% as well as through opening 303 new stores. Action also had a good start to 2024, generating another 21% sales growth. Management remains very bullish and targets EBITDA growth of 20% annually. They intend to continue rolling out new stores with over 4'700 potential locations, target high single digit like-for-like growth and further margin improvement through operating leverage. Another strong performer was HgCapital Trust. The company reported NAV growth of 10% for 2023 and benefits from a healthy balance sheet with GBP 735m of available liquidity. The top holdings, which comprise almost 80% of the portfolio, increased revenue, and EBITDA by 25% and 28%, respectively, during the past year.

Private debt vehicles (Business Development Companies/BDCs) increased by 4% on average. Portfolios mainly comprise floating rate loans, which continue to benefit from the current macroeconomic environment with higher interest rates, yet keeping non-accruals low. One of the best performers was Golub BDC. The company announced a merger with another BDC managed by Golub that will result in a more diversified portfolio, potential NAV accretion upon closing as well as cost synergies. In addition, the performance fee will be reduced, which results in higher cash flows for shareholders.

During the first quarter, we have slightly shifted from BDCs to private equity vehicles. Given the floating rate portfolios of BDCs, expectations of rate cuts, and a rather full valuation, we view the outlook for BDCs less promising compared to private equity vehicles, which benefit from more resilient portfolios, continuing high discounts to NAV and increasing corporate actions such as share buybacks. Within asset managers, we increased the allocations to certain managers that may be included in the S&P 500 in the future.

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
Williams Tower
2800 Post Oak Blvd.
Suite 5880
Houston, TX 77056|
USA
T +1 346 701 3900

Toronto
Exchange Tower, 130 King
Street West, Suite 2830
Toronto, ON M5X 1E2
Canada
T +1 416 521 2530

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 – 11º andar
CEP 04534-004,
São Paulo – SP
Brazil
T +55 11 3528 6500

London
33 Charterhouse Street
London EC1M 6HA
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
29-31 rue Saint Augustin
75002 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
Lenbachpalais
Lenbachplatz 3
80333 Munich
Germany
T +49 89 383 89 240

Dubai
Office 107, level 1
Gate Village 11, The Exchange
DIFC, Dubai, UAE
POBOX 507253
T +971 4 316 9555

Mumbai
601, 6th Floor, Piramal Tower
Peninsula Corporate Park
Ganapatrao Kadam Marg,
Lower Parel
Mumbai-400013
India
T +91 22 4289 4200

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

Manila
18/F Seven/NEO 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
Marunouchi Park Bldg. 6F
2-6-1 Marunouchi, Chiyoda-ku
Tokyo 100-6906
Japan
T +81 3 5219 3700

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