Q2 2024 Review

Partners Group Listed Investments SICAV – Listed Private Equity

PARTNERS GROUP

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2024 Q2 review

Partners Group Listed Investments SICAV – Listed Private Equity reported another positive quarter and increased by 1.2% bringing the year-to-date return to 12.5%. During the second quarter private equity vehicles performed best and were mainly driven by solid NAV growth as portfolio holdings are progressing on plan and the continued implementation of share buybacks. Debt vehicles performed second-best as interest income remained high and credit quality stable, while alternative asset managers were flat, after gaining approximately 16% during the first quarter.

Private equity vehicles increased on average by approximately 3% during the second quarter. 3i Group was once again amongst the best performers after reporting strong growth across its portfolio holdings. Management highlighted the continued strong development of its core holding, Action. The non-food discount retailer recorded a 9% increase in like-for-like revenues during the first half and expanded its footprint with the opening of 107 new stores. That sales growth was achieved despite lowering prices as management intends to pass on price reductions to consumers, which will further boost the company's competitiveness. Another good performer was HBM, a healthcare-focused investor. Despite a challenging market environment for the healthcare segment, the company reported steady NAV and heightened transaction activity. Furthermore, its largest private equity portfolio holding, Swixx BioPharma, entered the Latin American market, and notably, one portfolio company was acquired by Johnson & Johnson at a valuation above the current value. Management maintains confidence and points out the company's robust liquidity position, which can be leveraged to further support its portfolio companies or seize opportunities arising from market volatility.

Debt vehicles performed second-best and continued to benefit from the current high interest rates coupled with still stable credit quality. Golub Capital BDC completed its merger with another BDC and reported a third consecutive quarter of highest-ever net investment income, increased NAV and announced a special dividend. Following the merger, management and performance fees will be further reduced, making Golub Capital one of the most shareholder-friendly debt vehicles.

On the other hand, alternative asset managers were flat. The latest addition to the portfolio, the UK-based private equity manager CVC, stood out during the quarter. The position was added after its long-awaited IPO in April and reported solid results, with fee-paying assets under management increasing by 47% year-over-year, and all flagship funds meeting or exceeding their targets. Despite a challenging transaction market, CVC reported a 12% increase in deployment activity and exits rose by over 60% over the past year. Management remains optimistic and anticipates a continued recovery in investment activity throughout 2024.

During the first quarter, we adjusted our allocations within alternative asset managers as well as private equity vehicles. We added CVC to the portfolio due to the strong track record and attractive valuation. In turn, we slightly reduced KKR due to the higher valuation and materialization of one catalyst, the inclusion in the S&P 500 index. We also reduced Blackstone due to its valuation and lack of catalysts. Within private equity vehicles, we reduced Kinnevik after management decided to pay a special dividend instead of launching a larger share buyback program and increased our exposure to UK vehicles with strong NAV track records and above-average discounts.

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