



Partners Group
REALIZING POTENTIAL IN PRIVATE MARKETS

BESPOKE SOLUTIONS: THE INSURANCE GROUP

Investing capital with speed and sophistication

Institutional investors can face a variety of challenges. It might be regulatory complexity, an urgent requirement to deploy significant cash balances, or the need for rapid diversification into new asset classes. A leading insurance group came to Partners Group with exactly this combination of challenges. Our team was able to design a bespoke solution that delivered on every target.

Overview

Investing large-scale capital at pace is one of the key challenges for institutions and the bigger the business, the bigger the challenge. A global institution came to Partners Group facing exactly this situation. The group is a leading player in the US insurance business, with a multi-billion-dollar balance sheet.

The group is thriving, growing rapidly through acquisitions, and its investment team is working hard, and successfully, in managing its insurance portfolio. As a result, its already sizeable balance sheet is expanding. Such rapid expansion and a burgeoning balance sheet has brought with it a periodic challenge – hundreds of millions of dollars sitting in cash.

When the client came to Partners Group, they had meaningful amounts of cash ready and available for immediate deployment. The

institution's board and chief investment officer were naturally alert to the challenge, and equity investors were too: every day those dollars sat idle was a material opportunity cost.

The challenge was both complex and urgent. It required a partnership that could be nimble enough to build a tailored strategy.

A combination of challenges

The obvious priority was to get the cash that was sitting idle invested as fast as possible, but other targets needed to be met too. The insurance group wanted to transition certain near-term investments strategically into longer term investments as the portfolio evolved and the immediate urgency ceased. The diversification of investments was critical, and the main aim was to build a portfolio across a range of private assets, including private equity, private debt, private real estate and private infrastructure, and across a diverse range of geographies and markets.

At the same time, the client wanted to invest capital through two of its affiliate entities, each with a different governance structure and, therefore, different regulatory requirements. Investments needed to be separate and managed under their own governance rules and processes. Moreover, both entities required pro-rata aligned





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➤ portfolios, so that they shared the same risk-reward profile.

An easy solution was not obviously available. A single rapid deployment in a few concentrated positions might have addressed the urgency of the situation. But while this would have set the cash to work rapidly, it would not have delivered the essential diversification across asset types and geographies, nor the portfolio best suited to their long-term return targets.

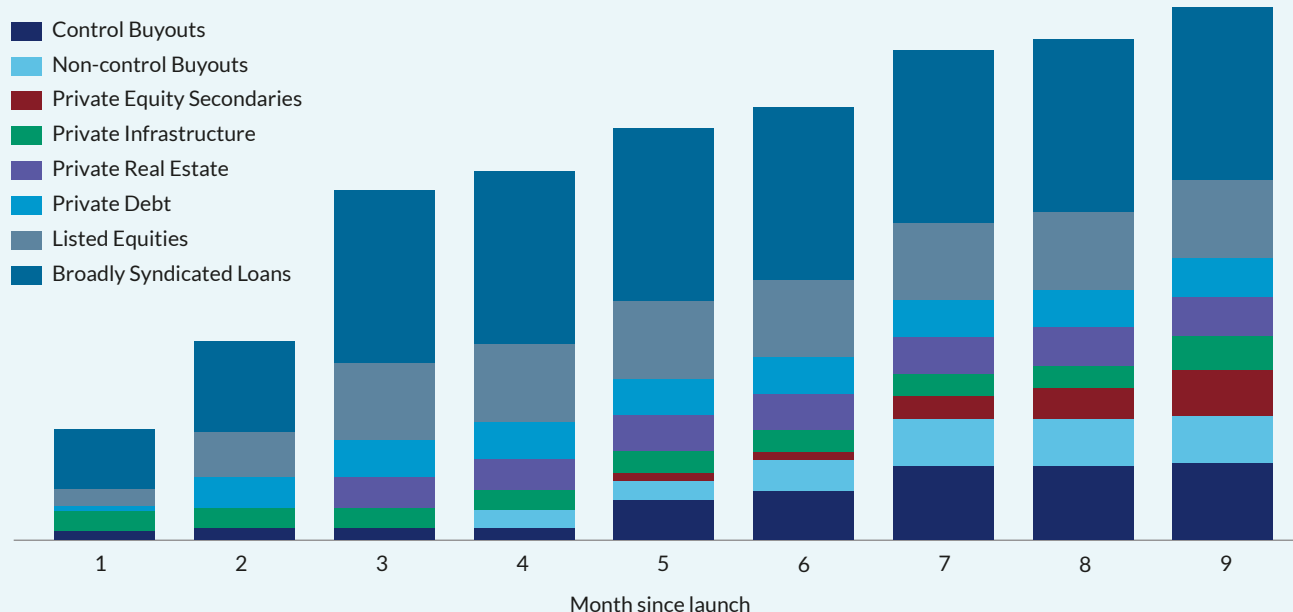
What is more, a single investment solution, such as rapidly committing to available active funds, would have exposed the client to vintage year risk as the entire sum would have been invested in assets at a single point in time. Further, the client wanted an element of both control and secondary investments to improve performance and minimize the J-curve.

The obvious alternative, a slow and considered

deployment over time, waiting for the right funds to launch, would not have addressed the urgency of the situation, and would have left significant capital languishing in cash for an extended period. The client needed an approach that could be nimble and flexible, capable of investing in funds or companies as appropriate. They also needed a data system that would allow them to view their investment positions and prepare them for regulatory reporting requirements across a range of jurisdictions to ensure their ongoing governance requirements were set up for success.

The creative solution required was not readily available from the market, but Partners Group was able to offer one tailored to meet all client objectives – target returns, private markets investment exposure, speed of investment, diversification, and multiple investment entities.

Building a portfolio at speed by diversifying across asset classes



Source: Partners Group, January 2023. Diversification does not ensure a profit nor does it guarantee protection against a loss. Past performance is not indicative of future results. For illustrative purposes only.

Time for a tailored solution

Partners Group's solution was able to solve the client's multiple challenges simultaneously. It focused on the client's long-term private markets exposure and return targets as a priority, while also including a short-term strategy that could be thoughtfully transitioned over time.

Step one involved rapidly investing the cash through a number of dedicated funds-of-one, all of which were fully funded by the client with the entire commitment amount. These funds in turn invested that cash almost immediately in listed

equity investments and broadly syndicated loans (BSLs). Within weeks, the strategy achieved a substantially higher investment level than what a typical drawdown fund could have achieved.

As a second phase, over a 30-month investment period, the liquid assets will be rotated into private markets investments across private equity, private debt, private real estate, and private infrastructure. Partners Group's ability to make investments directly into businesses and assets alongside other Partners Group managed funds is critical to the

strategy. It allows capital to be rotated into higher return investments without waiting for a direct private equity fund to launch. It also allows the client to benefit directly from Partners Group's value creation efforts as it builds out each business.

As these investments build up, they are placed pro-rata in the funds-of-one set up for the client's two separate affiliated entities.

By thoughtfully building an initial portfolio on a temporary basis that could then be strategically rotated into carefully selected long-term investments that could benefit from strong value creation, the strategy ticked every box. The capital was deployed at high speed, meeting the urgency demanded by the board and equity shareholders. And within 30 months, the cash will be fully reinvested into diversified private assets and split pro-rata between two entirely distinct funds-of-one, each operating their own distinct governance framework.

Crucially, the strategy also helps to mitigate the J-curve through its initial allocation.

Central to the solution was also a constant dialogue between Partners Group and the client. Establishing a close relationship allowed the implementation to be constantly fine-tuned, with the details of the execution evolving in real time in response to events in both public and private markets.

A diversified portfolio at speed

The schedule for reinvestment is already on target. The 30-month investment period will lead to a portfolio diversified across both asset classes and geographies. About a third will be in control private equity assets and a further quarter in private equity secondaries, with the balance spread

between non-control and asset-backed private equity and private debt.

The portfolio is also geographically diversified – dominated by investments in North America and Europe, but with other investments across the rest of the world.

Bespoke solutions for private markets

Deploying capital into private markets at speed need not be at the expense of sophisticated asset allocation or of financial performance. Creative, carefully managed, and strategic solutions can deliver to multiple targets and across multiple regulatory frameworks.

Implementing these bespoke solutions takes a partner with a global footprint, proven expertise in private markets and a commitment to the highest standards of client service.

Disclaimer

Past performance is not indicative of future results. For illustrative purposes only. There is no assurance that similar results will be achieved in the future. Diversification does not ensure a profit or protect against loss. Investments in funds are speculative and will involve significant risks. Certain significant risks of investing in private funds include, but are not limited to: lack of operating history; economic, political and legal risks; currency risk; leverage risk of borrowing by a fund; auditing and financial reporting; possible lack of diversification; control issues; financial market fluctuations; illiquid investments; mezzanine investments; real estate; hedging risk and adjustment of the relative value weights by the general partner.

About Partners Group

Partners Group is a leading global private markets firm. Since 1996, the firm has invested USD 195 billion in private equity, private real estate, private debt, and private infrastructure on behalf of its clients globally. Partners Group seeks to generate strong returns through capitalizing on thematic growth trends and transforming attractive businesses and assets into market leaders. The firm is a committed, responsible investor and aims to create sustainable returns with lasting, positive impact for all its stakeholders. With USD 135 billion in assets under management as of 31 December 2022, Partners Group provides an innovative range of bespoke client solutions to institutional investors, sovereign wealth funds, family offices and private individuals globally. The firm employs more than 1,800 diverse professionals across 20 offices worldwide and has regional headquarters in Baar-Zug, Switzerland; Denver, USA; and Singapore. It has been listed on the SIX Swiss Exchange since 2006 (symbol: PGHN).

