



Annual Report 2018

Achieving outperformance through business and ownership excellence



Partners Group

REALIZING POTENTIAL IN PRIVATE MARKETS

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2018 was another solid year for Partners Group as we further cemented our position as one of the leading private markets investment managers globally.

We successfully raised EUR 13 billion and invested a record amount of USD 19 billion on behalf of our clients in attractive and resilient businesses and assets. These achievements, combined with our stable margins and a balance sheet-light approach to business, also translated into solid financial performance across the board.

We would like to thank our clients, our business partners, our shareholders and – not least – our colleagues for their continued trust in Partners Group.

Key figures



professionals



offices around the world



assets under management



revenue margin¹⁾



revenues¹⁾



EBITDA

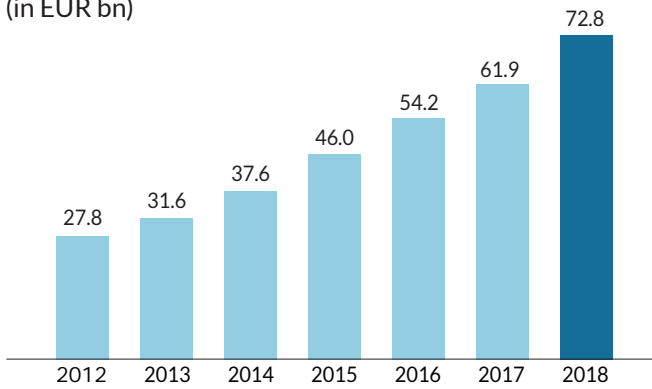


profit

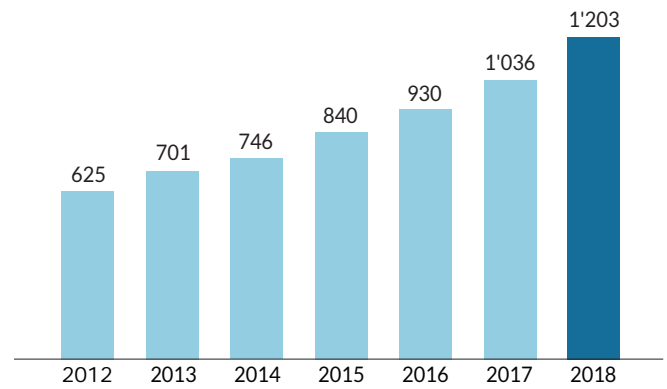


proposed dividend

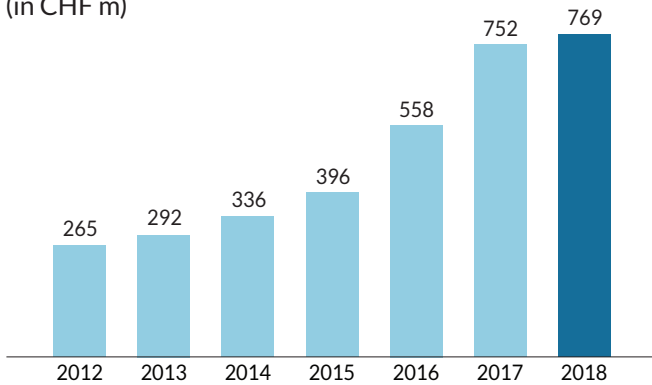
Total AuM²⁾
(in EUR bn)



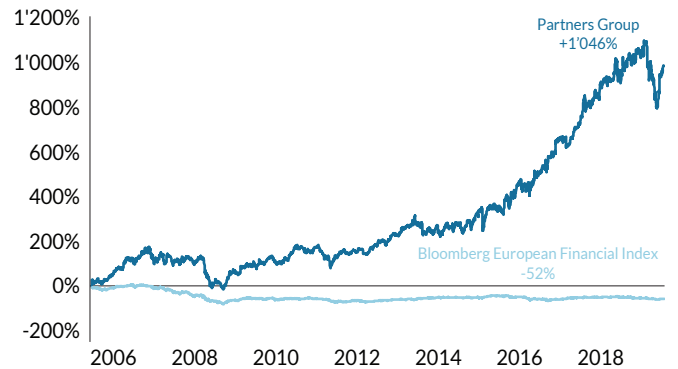
Number of professionals



Profit³⁾
(in CHF m)



Share price development since IPO⁴⁾



1) Revenues from management services, net, including other operating income. 2) Assets under management exclude discontinued public alternative investment activities and divested affiliated companies. 3) Partners Group adjusted its profit for specific non-cash items related to the capital-protected product Pearl Holding Limited until 2014; the successful conversion of Pearl in September 2014 has consequently made Partners Group's adjusted net profit equal to its IFRS profit from 2015 onwards. 4) As of 28 February 2019.

Key figures

Key performance indicators	2017	2018
Assets under management as of the end of the year (in EUR bn)	61.9	72.8
Revenue margin ^{1,2)}	1.89%	1.71%
Revenues (in CHF m) ²⁾	1'245	1'326
EBITDA margin	66%	66%
EBITDA (in CHF m)	825	882
Financial result (in CHF m)	36	23
Profit (in CHF m)	752	769
Net liquidity position at end of year (in CHF m) ³⁾	1'266	1'226
Shareholders' equity (in CHF m)	1'956	1'968
Return on shareholders' equity (ROE)	43%	39%
Equity ratio	67%	67%

1) Based on average AuM of CHF 77.6 billion in 2018 (2017: CHF 65.8 billion), calculated on a daily basis. 2) Revenues from management services, net, including other operating income.

3) Comprises cash & cash equivalents and short-term loans for investment programs provided by the firm, net of long-term debt.

Share information as of 31 December 2018

Share price (in CHF)	596.00
Total shares	26'700'000
Market capitalization (in CHF bn)	15.9
Free float ¹⁾	84.96%
Diluted shares (weighted average)	26'849'976
Diluted earnings per share (in CHF)	28.65
Dividend per share (in CHF) ²⁾	22.00
Dividend yield per share ³⁾	3.7%
Bloomberg ticker symbol	PGHN SW
Reuters ticker symbol	PGHN.S

1) According to the SIX Swiss Exchange definition. 2) As per proposal to be submitted to the 2019 Annual General Meeting of shareholders. 3) Yield as of 31 December 2018.

Corporate calendar

15 May 2019	Annual General Meeting of shareholders
17 May 2019	Ex-dividend date
20 May 2019	Dividend record date
21 May 2019	Dividend payment date
16 July 2019	Assets under management announcement as of 30 June 2019
10 September 2019	Publication of Interim Report as of 30 June 2019

Message from the Chairman and the Co-CEOs

Dear clients, business partners and fellow shareholders,

2018 was a solid year for Partners Group in terms of the development of our financial performance and a highly successful year as regards our ability to deploy a significant amount of our clients' capital in attractive private markets assets.



André Frei Co-CEO, **Steffen Meister** Executive Chairman, **David Layton** Co-CEO

Performance review

With EUR 73 billion in assets under management and over 1'200 professionals globally at the time of writing this letter, we operate a significant number of businesses and assets in various industries and sectors across the globe. Today, our professionals are responsible for over 220'000 employees who work for our largest portfolio companies and for creating long-term value for over 200 million beneficiaries who are served by our clients. Our focus on "business and ownership excellence" aims to realize the full development potential of the companies, real estate and infrastructure assets in which we invest.

Strong growth in our industry has increased competition for quality assets, applying upward pressure on valuations and increasing transaction speed.

In 2018, favorable, long-term underlying client trends, buoyed by the expectation of continued private markets outperformance over public markets, remained the driving force behind the demand for comprehensive private markets offerings. These industry dynamics, combined with our long-term track record, enabled us to generate client demand of EUR 13 billion during the year. We also demonstrated the strength of our investment platform in 2018, investing USD 19 billion on behalf of our clients in attractive private markets companies and assets, despite challenging market conditions.

Assets under management grew by 18%, net, to EUR 73 billion and management fees grew by 15% to CHF 1'002 million. Revenues and EBITDA increased in tandem by 7% year-on-year to CHF 1'326 million and CHF 882 million, respectively. Based on the solid development of the business in all asset classes and regions, the operating result and confidence in the sustainability of the firm's growth, Partners Group's Board of Directors will propose a dividend of CHF 22.00 per share to shareholders at the next Annual General Meeting, representing a year-on-year increase of 16%.

Complex dynamics ahead

Investment management in private markets has significantly increased in complexity in recent years. We believe there are four key dynamics that private markets managers should watch out for in particular.

Economic challenges ahead: Geopolitical and economic dynamics will come with significant headwinds and less predictable growth. Therefore, "understanding" sectors is no longer enough; Thematic Sourcing is the future. This approach identifies and targets the most promising companies in those sub-sectors that we believe offer significant potential for outsized growth in the medium-to-long term.

Era of disruption: At the same time, technological disruption can rapidly shift industry landscapes and threaten many businesses. In today's market, competition or industry disruption can come from completely unexpected directions, often leaving traditional operators blind-sided. In contrast, investing in disruption-based growth themes with highly specialized or category-leading businesses can provide substantial upside.

Public market dynamics: We are convinced that the historic benefits of a public listing have been somewhat eroded by the increasing burden of adherence to blanket corporate

Message from the Chairman and the Co-CEOs

governance codes and industry "best practice." Selectively, this "governance fatigue" can also limit IPO exit options for private markets firms. We therefore see continued private markets ownership as an alternative for leadership teams that want to continue to realize potential within an entrepreneurial governance framework. In parallel, this will result in more public-to-private investments and only partial (public market) exits.

Private markets challenges: Strong growth in the private markets industry, evidenced by record fundraising over the last few years, has greatly increased competition for quality assets, applying upward pressure on valuations and increasing transaction speed. The ability of private markets managers to perform depends on their ability to respond to competitive dynamics. The only way to generate outperformance over the coming decades will be through highly resource-intensive "business and ownership excellence."

Thematic Sourcing

While our relative value framework remains core to our process, we have also dedicated substantial time and resources to building out our Thematic Sourcing capabilities over the past year. We combine top-down sourcing themes with bottom-up insights from our platform and proprietary private markets database (PRIMERA), which allows us to develop hundreds of investment leads in parallel – sometimes building relationships with potential acquisition targets for several years before taking action.

One key focus of our Thematic Sourcing efforts is the industry disruption that we referenced earlier. An example of where we sought the proven disruptor within a particular sector in 2018 is our acquisition on behalf of our clients of Techem GmbH, a market leader in the provision of heat and water sub-metering services, based in Germany. Techem's smart sensors and meters aim to replace traditional metering services, enabling auto-reading at hourly intervals and contributing significantly to energy savings in buildings.

Business excellence

Hands-on value creation throughout the life of an investment is the only way to generate outperformance now and in the future. Once we have invested in a company, we leverage our Industry Value Creation (IVC) team, which combines deep sector and functional expertise with long-term, business-oriented ownership to form our approach to value creation. Due to the emphasis we place on value creation as the core of our business, our IVC team continues to be the fastest-growing team within our investment platform.

In 2018, we were gratified to have our value creation efforts recognized for the second year running by Private Equity International's Operational Excellence Awards. We received the 2018 Operational Excellence award for the successful value creation program we led at Hong Kong-headquartered apparel label and brand identification solutions provider, Trimco International, which we exited at the start of 2018.

Ownership excellence

Our view is that the role of the board is critical to value creation. Each board member, individually and as part of the combined leadership group, must be able to actively contribute to defining and driving forward company strategy. They must equally commit a meaningful amount of time to achieving ambitious business objectives by directing the company management's execution of the board strategy.

For this reason, we have focused on further formalizing our growing network of experienced Operating Directors to ensure an effective use of knowledge and the seamless implementation of our approach to portfolio governance. Partners Group Operating Directors are experienced industry experts with a track record of success in a sector that is an area of investment focus for us. We believe that our portfolio companies and assets are able to benefit from the hands-on approach to strategy implementation and value creation that the appointment of an Operating Director to their board provides.

Hands-on value creation throughout the life of an investment is the only way to generate outperformance now and in the future.

Denver campus opens in 2019

We will see the fulfilment of an important milestone for Partners Group in 2019, with the completion of the construction of our corporate campus in Denver. The move to Denver, which was announced in 2016, is a strategic initiative to position our firm for long-term, sustainable success in the Americas.

The Denver campus will be a hub for our Americas business activities in the same way that our headquarters in Zug, Switzerland, and our office in Singapore serve as hubs for Partners Group in Europe and Asia. Recruitment in Denver has far surpassed the expectations we had at launch and we expect to have more than 200 professionals on the ground in the near term.

Message from the Chairman and the Co-CEOs

Outlook

We expect global demand for private markets investments to keep growing as these asset classes represent an increasingly important component in the portfolios of many leading institutional investors worldwide, which contribute substantially to the enhancement of their overall returns across economic cycles.

However, while the key structural growth drivers for the private markets industry remain intact, given the macroeconomic and market challenges ahead of us, we believe that private markets managers will only succeed over the long term if geared for "business and ownership excellence."

Partners Group's approach favors trusted, long-term relationships. As such, we believe that we are ideally positioned to be partners to, and successful entrepreneurial owners of, our investee businesses, now and in the future.

With that in mind, we would like to thank our clients, our business partners, our shareholders and – not least – our colleagues for their continued trust in Partners Group.

Yours sincerely,



Steffen Meister

Executive Chairman



André Frei

Co-Chief Executive Officer



David Layton

Co-Chief Executive Officer

2018 at a glance – Partners Group’s business model and review of financial performance



Investments

USD 19.3 billion invested on behalf of our clients in attractive and resilient businesses and assets.

Entrepreneurial governance and hands-on value creation are key to growth

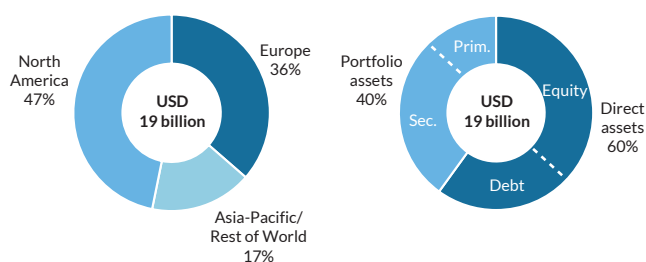
In 2018, we expanded our platform to 1'203 employees (2017: 1'036) across 19 offices with the aim of systematically sourcing, investing and developing an even larger set of businesses and assets. We continued to pursue our highly disciplined and prudent approach to source and execute the most attractive investment opportunities in a competitive market predominantly characterized by high valuations.

Guided by this approach, we invested a record amount of USD 19.3 billion (2017: USD 13.3 billion) on behalf of our clients across all private markets asset classes in 2018, including the reinvestment of distributions in evergreen investment programs. Of the total amount invested in 2018, USD 11.5 billion (60% of total investment volume) was deployed in direct assets, of which USD 6.3 billion was invested as equity in individual businesses and USD 5.2 billion in corporate debt. These equity investments are underpinned by our focus on the entrepreneurial ownership of businesses and assets, whereby business-oriented governance and hands-on value creation remain the key to generating strong outperformance.

To complement our direct assets, we invested USD 7.7 billion (40% of total investment volume) in portfolio assets. These portfolio assets include USD 5.2 billion of secondary investments in globally diversified private markets portfolios and USD 2.5 billion of primary commitments to select best-in-class managers in the private markets industry.

Investment activities continued to remain geographically diversified in 2018, with 36% of capital invested in Europe, 47% in North America and 17% in Asia-Pacific and emerging markets, reflecting our global reach and scope.

Private markets investments during 2018 (based on volumes)



Note: figures exclude investments executed for short-term loans, cash management purposes and syndication partner investments.

Only the most attractive assets on a global basis are selected for investment

The potential for more challenging macroeconomic conditions demands careful asset selection for downside protection. We therefore remained highly disciplined in assessing risk/return parameters in our investment selection process during the period. In addition, in this late stage of the economic cycle, we are focusing on businesses and assets that are well positioned to withstand a variety of alternative economic scenarios and include prudent assumptions that market valuation multiples will come down in our underwriting for new investments.

On many occasions, we did not win a transaction because we did not compromise on pricing. This is important to us as we have to adhere to the target underwriting returns communicated to our clients and only select the most attractive assets with long-term potential.

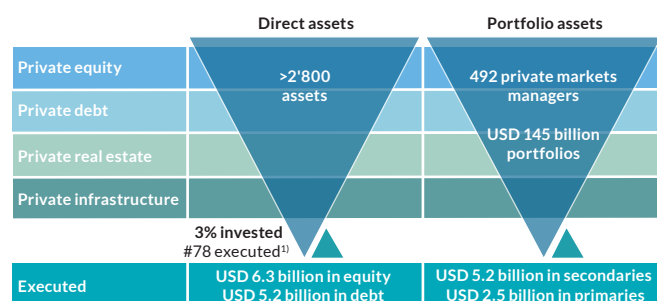
When searching for new opportunities, our investment professionals are guided by well-developed investment themes and target the most promising companies in those sub-sectors that we believe offer significant potential for outsized growth over the mid- to long-term in today's market.

2018 at a glance – Partners Group’s business model and review of financial performance

Target assets are developed over very long periods of time, which means that it can be difficult to precisely predict when they will become actionable. We therefore focus on deepening our understanding of and relationships with these target assets by tracking them over several months and years ahead of a potential sales process. This allows us to develop an investment thesis for these assets early on and be ready to act in a reasonably short timeframe when they become available for investment. While transaction speed can be a decisive factor in winning competitive situations, we are also seeing businesses become more demanding and look for partners with deep sector and functional knowledge that have the capabilities to propel growth.

In 2018, we screened over 2'800 direct transactions across asset classes. Of these, we invested in only the most attractive 3%, resulting in 78 completed transactions and a decline rate of 97%. Furthermore, our integrated investment professionals generated USD 145 billion in secondary private markets assets deal flow, investing in less than 4% of this, and screened over 490 fund offerings by leading private markets managers.

Deal flow 2018



1) USD 6.3 billion invested in 31 equity investments and USD 5.2 billion invested in 47 debt investments; debt investments exclude investments executed for short-term loans, cash management purposes and syndication partner investments.

Our success is driven by "business and ownership excellence"

As a partner to business, we have a bias towards trusted, long-term relationships to develop businesses and real assets with a long-term perspective. For that purpose, we leverage our global reach and local expertise across private markets to grow these businesses and real assets in an active and systematic manner. Beyond the deep sub-sector experience and research insights of our large Industry Value Creation team, our global platform, portfolio and network provide extensive synergies and opportunities for owners and entrepreneurs.

Long-term entrepreneurial governance is at the heart of our investment approach. This means that once we have invested in an asset, our focus is on active value creation. As part of this approach, we ensure that our portfolio company boards are the center of vision, strategy and accountability for the business. Our portfolio companies can thus leverage and benefit from our network of experienced Operating Directors, who have a hands-on approach to strategy and value creation. In addition, through our strong governance structures and incentive schemes, we ensure strong alignment between all stakeholders for the ultimate purpose of advancing businesses and assets.

Looking ahead, we will continue to build out our Thematic Sourcing and research capabilities to access a greater set of leading businesses and attractive assets. With the aim of cutting through the competition for such assets in this crowded market, we will dedicate substantial resources to further strengthen our platform, our Industry Value Creation team and network of Operating Directors in 2019.

2018 at a glance – Partners Group’s business model and review of financial performance

Private markets investments in 2018

An overview of our current investment themes for each asset class can be found in the market commentary section on page 24 of this report. Select 2018 investment examples for each asset class are shown below.



Techem

Private equity

In May 2018, we acquired Techem, a global market leader in the provision of heat and water sub-metering services, based in Germany, for an enterprise value of EUR 4.6 billion. Techem provides services and devices for the metering and billing of energy and water, plus device sales, hire and maintenance. In addition, it delivers heat, cooling, flow energy and light, as well as the planning, set-up, financing and operation of energy systems and energy monitoring and controlling services.

Techem is currently one of the market leaders in Germany, the largest sub-metering market in the world, and holds a leading position in other European markets. Techem's footprint comprises over 400'000 customers with 58 million devices installed in 11 million apartments across more than 20 countries. The business operates in a non-cyclical market with high customer stickiness, long-term contracts and high barriers to entry. In addition, as sub-metering reduces energy consumption by 20-30% on average, Techem solutions today account for 6.9 million tons of CO2 emission savings per year, thus contributing to global climate protection objectives.

Techem's business benefits from increasing awareness of the need for energy efficiency solutions, as well as from regulatory incentives and the trend towards home automation. Going forward, together with our consortium investors, we will support the development of the company in its existing markets and aim to expand its presence geographically. We will focus on introducing new technologies to enhance its current offering and consolidate its position as a leading energy efficiency provider.

Private debt

One example that illustrates our ability to offer individual solutions and back successful companies in our debt portfolio with add-on acquisition financing is our investment in Independent Vetcare. Headquartered in the UK, Independent Vetcare is a veterinary platform specializing in the treatment of smaller animals for both routine and complex treatments. Founded in 2011, the company is one of the leading consolidators in the industry. Since 2017, under its current ownership, the company has increased its footprint via acquisitions, expanding beyond the UK. We have supported the company's growth ambitions by providing follow-on debt financing and have participated in multiple debt raises since our initial investment.

Independent Vetcare operates in a highly attractive sub-sector. A prominent theme we expect the company to benefit from is the continued adoption of specialized pet care, which is a by-product of the megatrend toward the humanization of pets, whereby pet owners are increasingly treating their pets like family members. The proportion of dog and cat ownership within the population is generally stable and is driven by underlying human population growth. The percentage of pets under insurance coverage is expected to increase, benefiting the company as a specialty care provider. The number of pets in households without children is increasing more rapidly, and there is a willingness to pay for care along with more advanced treatments and early diagnosis.

Our financing structure provided the company with the flexibility to use a revolving credit line for acquisitions and then subsequently repay the credit line with an additional term loan, enabling speed of execution. The target return for the first lien financing is 5.7% (GBP).¹ The loan also benefits from a financial maintenance covenant providing downside protection.

¹ For illustrative purposes only. There is no assurance target returns will be achieved.

2018 at a glance – Partners Group’s business model and review of financial performance

Private real estate

In September 2018, we agreed to develop Block E Bellevue Station, located in the Denver Tech Center (DTC) submarket of Denver. DTC was formed in 1962 as a masterplanned business center and is home to approximately 10 million square feet of office space and a very diverse set of companies. The DTC submarket is well connected to Denver CBD and the airport by a rail and bus system. The daytime employment base is rapidly increasing in the area and now stands at over 100'000 people, making it one of Denver’s biggest employment hubs.² Moreover, DTC is close to affluent residential neighborhoods and benefits from low vacancy rates of around 5% for Class A developments that are easily accessible by public transport.³

Block E Bellevue Station, which is part of a 2.2 million square feet planned development, will consist of 408'000 square feet of office space and was acquired at a 25% discount relative to comparable market prices today. The value creation plan for the project involves a lease-up strategy, which will bring the development from 40% pre-leased to a stabilized occupancy level of 96%.

This example illustrates our strategy of focusing on properties in major Tier 1 and economically vibrant Tier 2 cities located outside of CBD areas, offering relative discounts to rents in CBD locations.

² CBRE, May 2018.
³ Costar, May 2018.



Murra Warra Wind Farm

Private infrastructure

In September 2018, we agreed to invest over AUD 200 million in equity to acquire and construct the first stage of Murra Warra Wind Farm (Murra Warra I) in Australia. Murra Warra I will comprise 61 Senvion 3.7MW turbines with a total nameplate capacity of 226MW, located north of Horsham in the state of Victoria. Construction of the wind farm started in March 2018 and completion is expected in mid-2019.

This opportunity has allowed us to acquire a significantly de-risked asset that is already under construction and which has a substantial portion of generation capacity already contracted through long-term power purchase agreements (PPAs). Once completed, Murra Warra I will generate enough clean energy to power 220'000 Australian households and offset over 900'000 tonnes of carbon emissions every year.

We will support the growth of the asset by leveraging the expertise gained from our existing substantial portfolio of renewable energy assets. Our value creation strategy will focus on project execution to ensure that construction is successfully completed on time and on budget. Furthermore, we will secure PPAs for the remaining uncontracted capacity.

Australia remains an attractive market for onshore wind and one where we can build on our experience from prior investments. In fact, the Murra Warra I investment follows our recent AUD 700 million commitment to develop Grassroots Renewable Energy Platform ("Grassroots"), a large-scale platform that aims to construct over 1.3GW of new wind power, solar power and battery storage assets across Australia within the next four years.

Once operational, Grassroots is expected to become a category leader in the Australian power market as one of the country's largest independent power producers in the renewables sector. Also in the Australian renewable energy sector, in June 2015, we invested in the development of the 240MW Ararat Wind Farm, which started supplying clean energy to the Australian national grid in mid-2017.

2018 at a glance – Partners Group’s business model and review of financial performance

Divestments in 2018

2018 was also a solid year for realizations. During the period, we continued to make active use of the supportive exit environment and were able to realize a number of mature private markets assets on behalf of our clients, leading to a

total of USD 13.4 billion in underlying portfolio realizations. Some distributions to evergreen programs were re-invested for the benefit of the program’s investment exposure. Select exit examples for each asset class are shown below.

Trimco	Country	Hong Kong	Founded in Hong Kong in 1978, Trimco provides a full range of garment labels, tags and trimming products to blue chip apparel brands and retailers worldwide. We acquired Trimco on behalf of our clients in May 2012 and subsequently worked alongside the management team to oversee a period of expansion in which the company quadrupled its business and grew from an Asia-centric manufacturing specialist into a global leader in its field. We sold the company to funds advised by Affinity Equity Partners for a total consideration of USD 520 million, generating a 3.4x return on our original investment.
	Asset class	Private equity	
	Sector	Consumer	
	Exit	January 2018	
Alltub	Country	France/ Netherlands	Alltub is a global leader in the production of aluminum and laminate specialty packaging, typically used to produce "squeezeable" packaging for semi-liquid products in end markets such as cosmetics, pharmaceuticals and food. In June 2015, we provided EUR 74 million in unitranche financing to fund a broader refinancing of the company's capital structure and support its expansion plans, including the purchase of a small manufacturer based in Germany (Karl Hoell) in August 2016. The debt investment was fully repaid in conjunction with the acquisition of Alltub by One Equity Partners in October 2018, generating a 1.33x return. Based on the further development potential of the company, we decided to continue our support of Alltub, providing EUR 87 million in unitranche financing to support the new acquisition and expansion plan, which includes further buy-and-build opportunities in a consolidating market.
	Asset class	Private debt	
	Sector	Industrials	
	Exit	October 2018	
Pacific Century Place	Country	China	Pacific Century Place in Beijing is a 185'980 square meter, mixed-use complex comprising two office towers and two serviced apartment blocks atop a six-story retail podium. Acquired in 2014, the investment strategy for the property involved renovating and repositioning the office and serviced apartment portions, and converting the largely vacant retail space into office units to cater to the limited office supply in Beijing's CBD area. The property was awarded Best Refurbished Building at the 2017 MIPIM Asia Awards. In order to protect investor returns in a volatile Chinese yuan environment, our asset management team initiated Chinese yuan hedging on the expected exit proceeds when the sale was confirmed in March 2018. The sale was completed in September 2018 and generated a gross IRR of 17.0%.
	Asset class	Private real estate	
	Sector	Mixed-use	
	Exit	September 2018	
Silicon Ranch Corporation	Country	US	In January 2018, we sold our stake in Silicon Ranch Corporation, a developer, owner and operator of solar energy facilities in the US. Since our investment into Silicon Ranch in April 2016, the company has quadrupled its operating portfolio of commercial- and utility-scale solar projects. It now has approximately 880MW of contracted, under construction, or operating solar PV systems across 14 US states, as well as close to 1GW of additional development pipeline. With our support, the company has been able to execute its growth plan faster than expected and we took the opportunity to divest our equity stake to a strategic investor ahead of the original investment plan. The gross IRR on the original investment stands at 27.4% as of 31 December 2018. The final return will be dependent on the company achieving predetermined milestones.
	Asset class	Private infrastructure	
	Sector	Renewables	
	Exit	January 2018	

2018 at a glance – Partners Group’s business model and review of financial performance



Clients

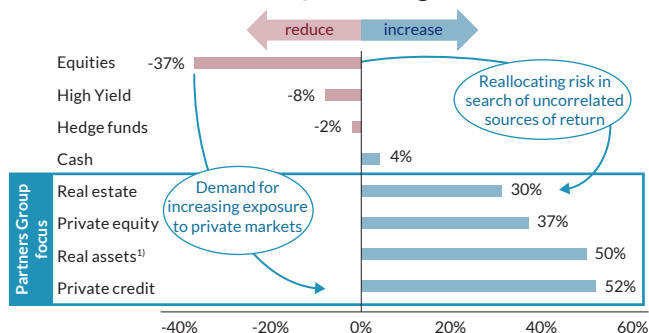
EUR 13.3 billion gross client demand in 2018; AuM stands at EUR 73 billion.

Structural growth drivers remain intact

The four key structural growth drivers for the private markets industry in general, and for Partners Group in particular, continue to be the growth of institutional assets under management, the rising allocations of institutional investors to private markets, the outperformance of private markets against public markets, and a concentration of private markets allocations with those managers that have the capacity and ability to onboard sizeable commitments and deploy larger amounts of capital. Therefore, we expect the global demand for private markets investments to grow further as these asset classes represent a key component in the portfolios of many leading institutional investors worldwide, contributing substantially to the enhancement of their overall portfolio returns across economic cycles.

This was underpinned by a recent BlackRock survey of 230 institutional clients, representing over USD 7 trillion in investible assets, about potential changes in asset allocations in 2019. The challenging and more volatile market environment, coupled with increasing concerns about the economic cycle, are influencing the rebalancing and asset allocation plans of institutional investors in search of alternative sources of returns. The findings of the survey indicate that a significant portion of institutions intend to increase their exposure to private markets, in particular private credit and real assets, in search of uncorrelated sources of return.

Anticipated changes to 2019 asset allocations of institutional investors representing USD 7 tn in AuM



1) Real assets include infrastructure, commodities, timber and farmland. Source: BlackRock client survey among 230 institutional clients, December 2018.

Continued demand for bespoke solutions

2018 was a solid fundraising year as we were able to demonstrate that our clients entrust us with their capital even in the absence of larger flagship programs.

The demand derived from a wide spectrum of offerings across all private markets asset classes, with many of our more sizable clients requesting the creation of tailored programs, either through single or multi-asset class mandates, confirming the preference for non-standard solutions to meet the specific client needs of larger institutional investors.

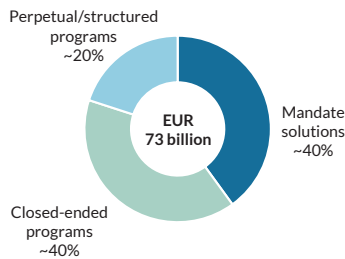
Around 40% of our AuM stems from relationships with clients through such mandates. Our mandate business concentrates on building up a client’s private markets exposure on an ongoing basis. Capital is committed via long-term partnerships, which often are not limited to a specific contractual life.

An additional 40% of our AuM is represented by traditional private markets structures, typically limited partnerships, with a pre-defined contractual life lasting up to twelve years.

2018 at a glance – Partners Group’s business model and review of financial performance

The remaining 20% of our AuM is held in perpetual or structured programs. Essentially, these are open-ended vehicles that have no contractual end but that are subject to potential redemptions.

AuM by program structure

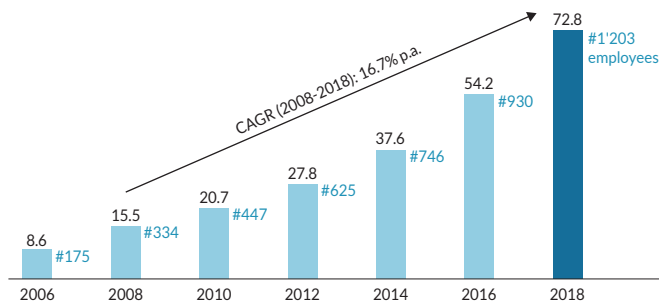


Note: as of 31 December 2018.

AuM grew to EUR 73 billion; up 18% year-on-year

In 2018, we received EUR 13.3 billion in new commitments (guidance provided at the beginning of 2018: EUR 11-14 billion) from our global client base across all private markets asset classes. This demand for programs and mandates brings total AuM to EUR 72.8 billion as of 31 December 2018 (31 December 2017: EUR 61.9 billion), and represents net growth of 18%.

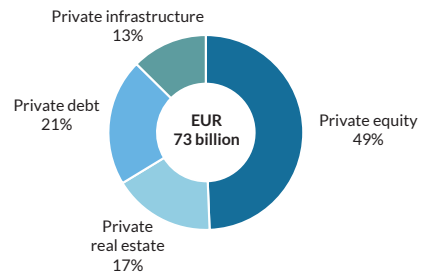
Total assets under management (in EUR bn)



Note: assets under management exclude discontinued public alternative investment activities and divested affiliated companies.

The breakdown of total AuM as of 31 December 2018 is as follows: EUR 36 billion private equity, EUR 15 billion private debt, EUR 12 billion private real estate, and EUR 9 billion private infrastructure.

AuM by asset class

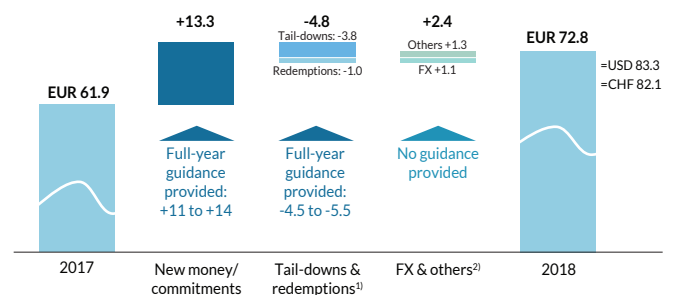


Note: as of 31 December 2018.

Next to gross client demand of EUR 13.3 billion in 2018 (2017: EUR 13.3 billion), there were EUR -3.8 billion (2017: -3.2 billion) in tail-down effects from mature private markets investment programs and EUR -1.0 billion (2017: -0.9 billion) in redemptions from liquid and semi-liquid vehicles, amounting to a total of EUR -4.8 billion in 2018 (guidance provided at the beginning of 2018: EUR -4.5 to -5.5 billion).

Given that 36% of Partners Group's AuM is USD-denominated, the appreciation of the US Dollar against the Euro by 5% during the year positively affected the firm's total AuM in Euros. Foreign exchange effects amounted to EUR +1.1 billion. Furthermore, a positive contribution of EUR +1.3 billion stemmed mainly from performance- and investment-related effects from certain investment vehicles. Overall, this resulted in net AuM growth of EUR 10.9 billion during the period.

Total AuM (in EUR bn)



1) Tail-downs & redemptions: tail-downs consist of maturing investment programs (typically closed-ended structures); redemptions stem from liquid and semi-liquid programs (~20% of AuM).
 2) Others: consist of performance and investment program changes from select programs.

2018 at a glance – Partners Group’s business model and review of financial performance

Client demand across all asset classes

The absence of dedicated flagship programs in 2018 had a more pronounced effect on our real estate and infrastructure asset classes. In contrast, it hardly affected our corporate asset classes (debt and equity), which contributed the lion's share of new assets raised. Overall, all asset classes experienced double-digit growth in 2018.

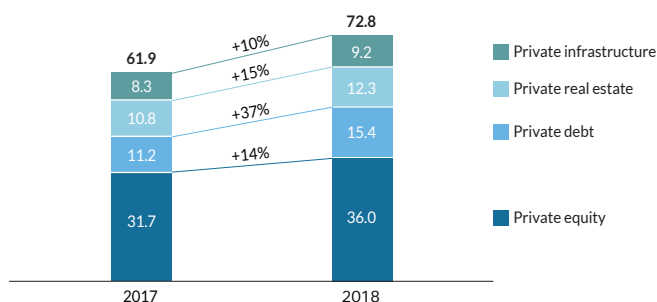
Private equity was the largest contributor to assets raised in 2018, representing 39% of all new commitments (EUR 5.2 billion new commitments). Demand was split across a wide range of different programs and mandates. For instance, one of our long-standing diversified global value strategies attracted substantial client demand in the second half of the year. The global value strategy combines direct transactions – where Partners Group sources and underwrites an opportunity and is solely responsible for value creation – with portfolios of highly diversified pools of assets via secondary and primary investments. The growth rate of private equity AuM amounted to 14% in 2018.

Private debt saw strong new commitments in 2018, representing 37% of all new commitments (EUR 5.0 billion new commitments). The debt business continues to benefit from lower yields on traditional fixed income investments. In particular, the floating-rate nature of private debt and the shorter time it takes to ramp up exposure to private debt is seen as highly attractive by most of our clients. Demand in 2018 was spread over several different programs and mandates that focused on our corporate senior debt lending activities, which contributed about two-thirds of assets raised, and our collateralized loan obligation (CLO) business, which contributed about one-third of new commitments. Today, our entire CLO business represents only 3% of our AuM and is expected to grow considerably in the years to come. Overall, the growth rate of private debt AuM amounted to 37% in 2018. This makes it the fastest-growing segment within the firm and highlights the further scalability of the business.

In 2018, **private real estate** demand represented 13% of all new commitments (EUR 1.7 billion new commitments). In the first half of the year, we completed the fundraising for our previous real estate secondary flagship program, which had also contributed to fundraising in 2017. We expect our current flagship program, which will target global real estate opportunities, to contribute more meaningfully to fundraising in 2019. The year-on-year growth rate of private real estate AuM amounted to 15% in 2018.

Private infrastructure represented 11% of overall new client demand (EUR 1.4 billion new commitments). We anticipate the private infrastructure business to be a stronger contributor in the quarters to come as we approach the market with our next global value offering. The growth rate of private infrastructure AuM amounted to 10% in 2018.

AuM growth by asset class (in EUR bn)

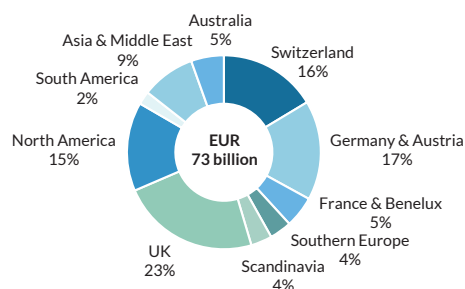


Client demand spread across Europe, North America, Asia-Pacific and emerging markets

We have an international client base of over 850 institutions around the world. In 2018, client demand was again well-diversified across regions. Almost 50% of AuM growth came from the UK and US. Nevertheless, we are committed to further expanding our activities in the US and capturing additional market share, considering the size of the US pension market and the significant potential ahead of us. Notably resilient countries in continental Europe were Germany and Switzerland, which together contributed about 25% of total inflows. The remainder was contributed by all other regions, with Asia and Australia making notably strong contributions.

Following these inflows in 2018, our total AuM by investor region as of 31 December 2018 stands as follows.

AuM by region



2018 at a glance – Partners Group’s business model and review of financial performance

Client demand from pension funds still major contributor

We continued to grow all of our private markets asset classes with different types of investors and entered into new collaborations with some of the largest and most sophisticated institutional investors globally.

In 2018, **corporate, public and other pension funds** continued to be the key contributors to AuM growth, representing 50% of total client demand. These investors typically seek to further enhance the risk/return profile of their portfolios by increasing their private markets exposure.

Banks and asset managers supported our fundraising in 2018 with a focus on our CLO offerings. These institutions strengthened our position in the European and US broadly syndicated debt markets. They made up about 17% of our total fundraising in 2018. A further 7% stemmed from **family offices and other investors**.

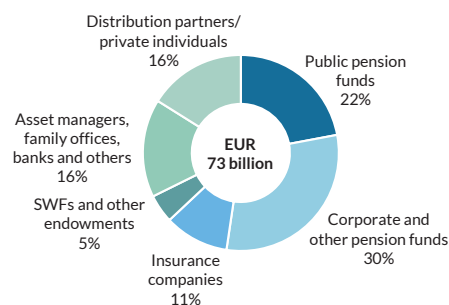
We saw continued demand from **distribution partners/private individuals**, which represented about 14% of client demand in 2018. These types of investors increasingly recognize the benefits of private markets and aim to mirror the allocations of institutional investors in their own investment portfolios. Usually, they seek to access private markets through liquid and semi-liquid structures, which are still unusual in an industry dominated by illiquid, long-duration funds. Semi-liquid structures, which offer limited monthly, quarterly and, in some cases, (even) daily liquidity, were an important driver of asset raising in 2018. We have been a notable pioneer in the structuring of innovative liquid and semi-liquid programs for investors and to-date manage around 20% of our total AuM in such vehicles.

Insurance companies accounted for 8% of overall inflows in 2018, displaying particular appetite for yield-generating private debt offerings as well as renewed interest for equity investments.

Sovereign wealth funds and endowments accounted for 4% of total assets raised in 2018 and generally engage with us seeking highly tailored private markets solutions to complement their existing portfolios.

Following these inflows in 2018, our total AuM by investor type as of 31 December 2018 stands as follows.

AuM by type



2018 at a glance – Partners Group’s business model and review of financial performance



Client outlook

Solid **gross client demand** expected for 2019; new **guidance** of **EUR 13-16 billion**.

For 2019, we expect gross client demand of EUR 13-16 billion, together with EUR -6.5 to -7.5 billion in tail-down effects from the more mature Partners Group programs and potential redemptions from liquid and semi-liquid programs. This guidance assumes that the benign fundraising environment will continue, which is our base case.

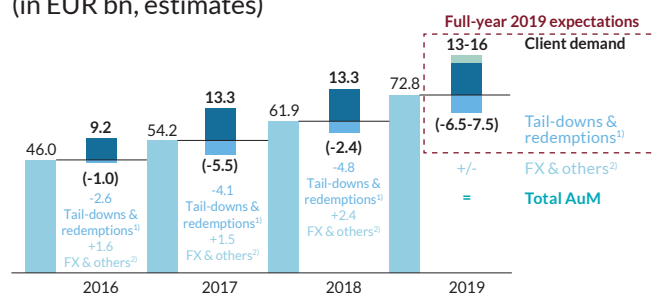
The increase in expected fundraising reflects our aim to capture further client demand through a series of flagship programs across all private markets asset classes. We expect private equity to be a large contributor to increased demand. We will continue to offer bespoke solutions to our mandate clients and actively manage and steer their exposure to private markets in line with longer-term investment horizons.

The higher projected tail-down effects in 2019 relate to a select number of larger closed-ended programs that will reach the end of their lifetime. However, looking ahead, we do not expect tail-downs to increase as much in 2020 as we expect them to in 2019.

We continue to observe a strong structural trend of increasing allocations to private markets by institutional investors. Moreover, clients are concentrating their relationships with those managers that can offer the necessary investment capacity for them to build up more meaningful exposure to private markets.

Based on our strong track record of investment performance, as well as client service excellence, we believe that we are ideally positioned to continue to be a strong partner to global investors.

AuM, client demand and other effects (in EUR bn, estimates)



1) Tail-downs & redemptions: tail-downs consist of maturing investment programs (typically closed-ended structures); redemptions stem from liquid and semi-liquid programs (~20% of AuM).
2) Others: consist of performance and investment program changes from select programs.

2018 at a glance – Partners Group’s business model and review of financial performance



Financials

Profit reached **CHF 769 million** in 2018; **dividend** of **CHF 22.00** per share proposed.

Solid fundraising and realizations continued to drive financial performance in 2018

Favorable, long-term underlying client trends, buoyed by the expectation of continued private markets outperformance over public markets, are the driving force behind the demand for comprehensive private markets offerings now and in the future. These structural industry dynamics combined with our long-term track record enabled us to generate solid financial performance across the board.

Key financials

	2017	2018	Growth
AuM as of the end of the year (in EUR bn)	61.9	72.8	+18%
AuM as of the end of the year (in CHF bn)	72.5	82.1	+13%
Revenue margin ^{1,2)}	1.89%	1.71%	
<i>Attributable to management fee margin³⁾</i>	70%	76%	
<i>Attributable to performance fee margin</i>	30%	24%	
Revenues (in CHF m) ²⁾	1'245	1'326	+7%
<i>Management fees (in CHF m)³⁾</i>	873	1'002	+15%
<i>Performance fees (in CHF m)</i>	372	324	-13%
EBITDA margin	66%	66%	
EBITDA (in CHF m)	825	882	+7%
Profit (in CHF m)	752	769	+2%

1) Based on average AuM of CHF 77.6 billion in 2018 (2017: CHF 65.8 billion), calculated on a daily basis. 2) Revenues from management services, net, including other operating income.

3) Management fees include recurring management fees and other revenues, net, and other operating income.

Revenues increased by 7% year-on-year to CHF 1'326 million, attributable to an increase in revenues from management fees and continued solid performance fee development. EBITDA increased by 7% year-on-year, in line with revenues, to CHF 882 million. Profit increased by only 2% year-on-year to CHF 769 million due to a slightly lower financial result and higher taxes. These achievements, combined with our stable margins and balance sheet-light approach to business, also translated into an attractive dividend proposal for the year 2018.

2018 at a glance – Partners Group’s business model and review of financial performance

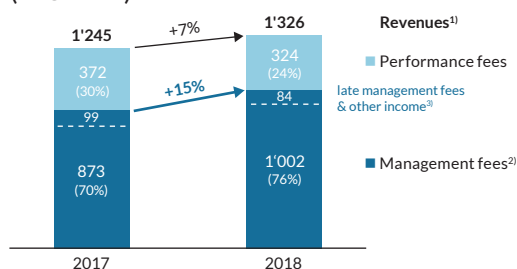
Management fee growth in line with AuM growth

In 2018, total revenues rose to CHF 1'326 million (2017: CHF 1'245 million) and increased by 7%. Management fees⁴ increased by 15%, amounting to CHF 1'002 million (2017: CHF 873 million), broadly in line with the growth of average AuM⁵ in CHF.

Due to the absence of significant closings of flagship programs in 2018, late management fees and other income⁶ decreased by 15% compared to the previous year, amounting to CHF 84 million (2017: CHF 99 million).

Performance fees decreased but continued to remain at a solid level and amounted to CHF 324 million (2017: CHF 372 million). We continued to make active use of the supportive exit environment, divesting businesses and assets that had reached a mature stage and realized their targeted value creation potential.

Revenues (in CHF m)



1) Revenues include management fees and performance fees.
 2) Management fees include recurring management fees and other revenues, net, and other operating income.
 3) Excluding recurring (full or partial) advisory services on assets amounting to CHF 17 million in 2018 (2017: CHF 7 million).

Management fees will continue to be the main source of revenues

Management fees will continue to dominate our firm's revenues in the years to come. Given the anticipated growth in the firm's AuM in combination with a structural delay in performance fee realization, management fees are expected to make up around 70-80% of total revenues and will be recurring based on long-term client contracts, often with an initial term of 10-12 years for equity and 5-7 years for debt offerings.

4 Management fees include recurring management fees and other revenues, net, and other operating income.
 5 Based on average AuM of CHF 77.6 billion in 2018 (2017: CHF 65.8 billion), calculated on a daily basis.

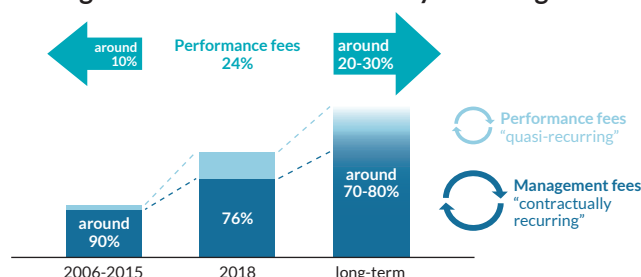
6 Late management fees occur in limited partnership structures, which typically have a contractual life of 10-12 years. At the very beginning of this contractual life, these structures go through a fundraising period of 12-24 months. All clients who commit to open investment programs during this period owe management fees for the entire lifetime of the fund, irrespective of when the commitment was made. This is based on the fact that the firm has already commenced investment management services for these programs from the day of their initiation. Clients who join an investment program at a later stage of the fundraising period are required to pay retrospectively for these previously delivered management services. Any management fee payments relating to prior accounting years are called late management fees. A period in which older programs complete fundraising is more likely to lead to higher late management fees in the same period.

We currently manage over 300 diverse investment programs and mandates at different stages of their lifecycle. Our established approach of launching investment programs and mandates to enable clients to capitalize on specific private markets investment opportunities at different points in the market cycle means that there will typically be several investment vehicles maturing at each stage of the cycle. Many of these vehicles entitle the firm to a performance fee, typically subject to pre-agreed return hurdles.

Due to this diversification, we anticipate that performance fees will be earned regularly from a wide range of vehicles going forward, making them a "quasi-recurring" source of income, assuming market conditions remain broadly supportive.

In 2018, more than 50 investment programs and mandates from a wide range of vintages commenced to pay out or continued to pay out performance fees. Investment programs with vintages between 2008 to 2012 were the main contributors to our 2018 performance fees.

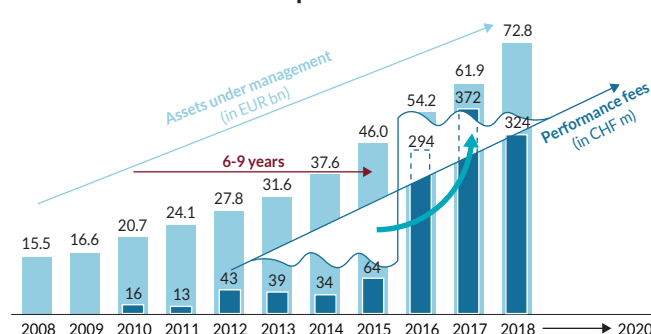
Management fees are contractually recurring



Note: assuming that the market remains favorable to exits, Partners Group expects to continue to generate significant performance fees from its underlying client portfolios; management fees include recurring management fees and other revenues, net, and other operating income; typical duration is 10-12 years for equity offerings and 5-7 years for debt programs.

We expect to continue to generate significant performance fees from underlying client portfolios. The expected bandwidth for performance fees as a proportion of total revenues remains at around 20-30%, assuming that the market remains favorable to exits.

Performance fee development



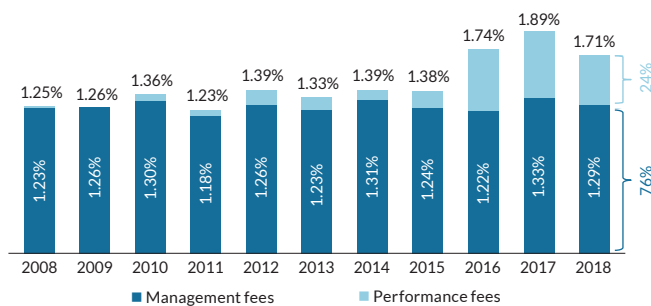
Note: assuming that the market remains favorable to exits, Partners Group expects to continue to generate significant performance fees from its underlying client portfolios.

2018 at a glance – Partners Group’s business model and review of financial performance

Stable revenue margin on management fees

The dominant part of our revenue base is still recurring and based on long-term contracts with our clients, which provides highly visible cash flows. The management fee margin remained largely stable despite lower late management fees and other income, amounting to 1.29% (2017: 1.33%). Total revenue margin, including performance fees, amounted to 1.71% (2017: 1.89%) in 2018.

Stable management fee margin



Note: management fees include recurring management fees and other revenues, net, and other operating income; calculated as revenues divided by average assets under management (in CHF), calculated on a daily basis.

Performance fee mechanism

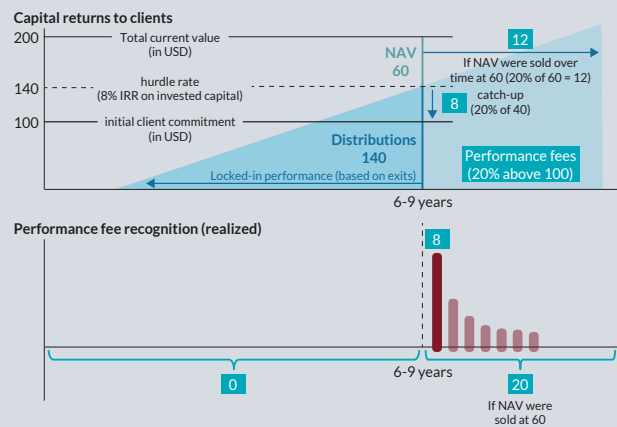
In private markets, performance fees are designed to remunerate investment managers for their long-term value creation results. They are a profit-sharing incentive for managers that outperform an agreed hurdle over the lifetime of an investment program. Performance fees are typically only charged once investments are realized and a pre-defined return hurdle has been exceeded. Because the value creation period lasts for several years, performance fees often only start to be earned six to nine years after an investment program commences its investment activities, and only if these are successful.

The chart below shows the performance fee recognition model of a typical limited partnership program. It shows how distribution activities in client portfolios bring forward the maturity profile of an investment program and increase the likelihood that the required return hurdle is reached.

This illustrative example assumes an initial client commitment of 100. After a couple of years the portfolio generates distributions to the client based on ongoing exit activities. After 6-9 years, the cumulated distributions received by the client are assumed to exceed 140, i.e. the hurdle rate. At this point in time, the investment manager catches up on past performance in excess of the initial

client commitment (“catch-up” on $140 - 100 = 40$, and $40 \times 20\%$ performance fees = 8).

Performance fee recognition model



Note: performance fees of performance fee generating investment programs and mandates typically range between 10-20% over a hurdle of 4-8% IRR on invested capital, depending on the program and instruments. For illustrative purposes only.

The investment manager will share any additional distributions stemming from the sale of the remaining portfolio over time, according to a pre-defined performance-sharing mechanism with clients (typically 80% to clients; 20% to the investment manager). It is assumed that the remaining NAV equals 60 and this entitles the investment manager to an additional performance fee of 12 ($60 \times 20\%$) should the portfolio be sold at the indicated value of 60.

In summary, due to the investment manager's long-term value creation, the initial client commitment of 100 has grown in value to 200, which entitles the investment manager to a performance fee of 20 ($200 - 100 = 100$ value gain, then 100 value gain $\times 20\%$ performance fees).

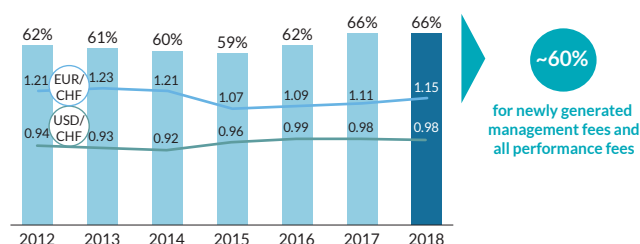
2018 at a glance – Partners Group’s business model and review of financial performance

EBITDA margin remains stable

In 2018, EBITDA increased by 7%, amounting to CHF 882 million (2017: CHF 825 million). The EBITDA margin remained stable at 66% (2017: 66%). The firm targets an EBITDA margin of ~60% for newly generated management fees (assuming stable foreign exchange rates), as well as for performance fees on existing and new AuM.

With the build out of our investment platform, we aim to continuously hire highly skilled professionals in order to systematically increase our investment capacity, to expand our client relationships globally and to further strengthen our corporate and services teams.

EBITDA margin development and outlook



Note: foreign exchange rates in daily averages in respective years/periods.

Personnel expenses grew broadly in line with revenues

Total personnel expenses – the main driver of our costs – increased in 2018 (+5%), broadly in line with revenue growth (+7%). Our regular personnel expenses (+17%) increased in line with the overall growth in management fees (+15%) and average number of professionals (+14%) in the year under review. At the same time, our performance-fee related personnel expenses decreased in 2018 (-13%), in line with the decrease in overall performance fees (-13%). We allocate 40% of revenues stemming from performance fees to our teams and 60% to the firm and its shareholders.

Operating expenses grew by 13% to CHF 68 million (2017: CHF 60 million), in line with the growth of the platform.

Costs grew in line with revenues

	2017		2018
Revenues	1'245	+7%	1'326
Total costs, of which	-420	+6%	-444
Personnel expenses	-359	+5%	-377
<i>Personnel expenses (regular)</i>	-210	+17%	-247
<i>Personnel expenses (performance-fee-related)</i>	-149	-13%	-129
Operating expenses	-60	+13%	-68
EBITDA	825	+7%	882
EBITDA margin	66%	+0%-points	66%

Note: revenues include management fees and performance fees. Management fees include recurring management fees and other revenues, net, and other operating income. Regular personnel expenses exclude performance fee-related costs.

Continued diversification of AuM, revenues and cost base anticipated

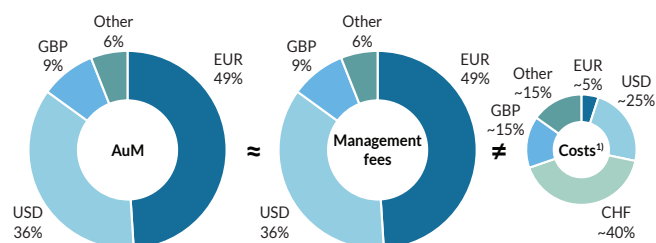
86% of our revenues derive from EUR- and USD-denominated investment programs and mandates, reflecting our international clientele. However, nearly half of our cost base is still CHF-denominated. In recent years, though, our team has grown at a higher rate outside Switzerland as we have built up our investment presence around the world. This international expansion continues to diversify our cost base further and will reduce our CHF-denominated cost base in relative terms over time.

Fluctuations in the EUR or USD against the CHF can affect the absolute amount of revenues and costs and cause our EBITDA margin to deviate from its mid-term target. In 2018, currency movements throughout the year lifted the EBITDA margin by approximately 1%:

- Management fees (76% of revenues in 2018): currency fluctuations directly affect management fees and related costs. During the period, the EUR appreciated by 4% against the CHF (average rate). This positively affected management fees in CHF (49% of AuM are EUR-denominated) but did not materially affect the firm's cost base (~5% of costs are EUR denominated and ~40% are CHF-denominated).
- Performance fees (24% of revenues in 2018): the impact of currency fluctuations on performance fees and performance fee-related costs, respectively, is largely EBITDA margin-neutral.

2018 at a glance – Partners Group’s business model and review of financial performance

Currency exposure in 2018



1) Includes regular personnel expenses (excluding performance fee-related expenses) and other operating expenses.

Note: all figures are based on estimates and the currency denomination of underlying programs; revenues include revenues from management services, net, and other operating income.

Financial result driven by value creation in client portfolios; negative foreign exchange result and higher taxes

The financial result amounted to CHF 23 million in 2018 (2017: CHF 36 million). We invest into our own investment programs alongside our clients (typically around 1% of the program's size).

The positive performance of these investments was again the main contributor to the financial result and amounted to CHF 35 million in 2018 (2017: CHF 50 million). Foreign exchange, hedging & others amounted to CHF -12 million in 2018 (2017: CHF -14 million). Corporate taxes increased to CHF -118 million in 2018 (2017: CHF -95 million), reflecting our growing international setup.

In summary, the firm's profit increased by 2% year-on-year to stand at CHF 769 million (2017: CHF 752 million).

Profit development

(in CHF m)

	2017		2018
EBITDA	825	+7%	882
Total financial result, of which	36	-36%	23
<i>Portfolio performance</i>	50		35
<i>Foreign exchange, hedging & others</i>	-14		-12
Taxes	-95		-118
Profit	752	+2%	769

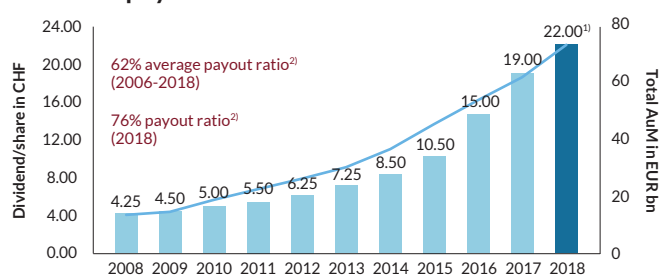
Net liquidity of CHF 1.2 billion

Partners Group's balance sheet remains strong. After a dividend payment of CHF 506 million in May 2018, we hold a current net liquidity position of about CHF 1.2 billion as of 31 December 2018. The net liquidity position comprises cash & cash equivalents and short-term loans facilities for investment programs provided by the firm, net of long-term debt.

Proposed dividend of CHF 22.00 per share (+16%)

Based on the solid development of the business in all asset classes and regions, the operating result and confidence in the sustainability of the firm's growth, Partners Group's Board of Directors will propose a dividend of CHF 22.00 per share (2018: CHF 19.00 per share) to its shareholders at the Annual General Meeting on 15 May 2019. This represents a dividend increase of 16%.

Dividend payments since IPO



1) The Board of Directors proposes that a dividend of CHF 22.00 per share be paid for the financial year 2018 at the Annual General Meeting of shareholders to be held on 15 May 2019.

2) The dividend payout ratio is defined as the (proposed) dividend per share divided by earnings per share.

Note: assets under management exclude discontinued public alternative investment activities and divested affiliated companies.

Financial outlook

We are moving confidently into 2019 and see solid demand for our new programs and mandates from clients across the globe.

- We expect **management fees** to continue to grow alongside AuM.
- We continue to expect **performance fees** to remain within the expected bandwidth of around 20-30% as a proportion of total revenues, assuming that the market remains favorable to exits.
- We expect **personnel expenses** to increase broadly in line with AuM and management fees as we continue to sustainably invest in the build-out of our investment platform and hiring of dedicated professionals. Performance-related compensation will continue to depend on performance fee development.
- Our **balance sheet** remains solid. With CHF 2.0 billion in shareholders' equity and CHF 1.2 billion net liquidity, we feel well-equipped to realize the potential of private markets in different economic environments.



Market commentary

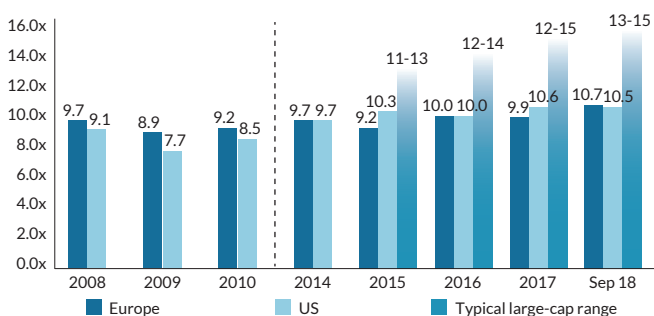


Private equity

A proactive sourcing approach is key in a competitive market.

Despite the increased market volatility in Q4 2018, private equity valuations remained at elevated levels throughout 2018. We attribute this to ever-increasing competition from private equity managers, strategic buyers and new market entrants, encouraged by the search for yield while interest rates remain low and by strong debt markets for leveraged buyouts. High-quality assets typically trade at up to mid-teen EBITDA multiples. In contrast, assets still trading at low multiples tend to be underperforming or operating in highly cyclical sub-sectors.

Average purchase price multiple of pro forma trailing EBITDA for LBOs



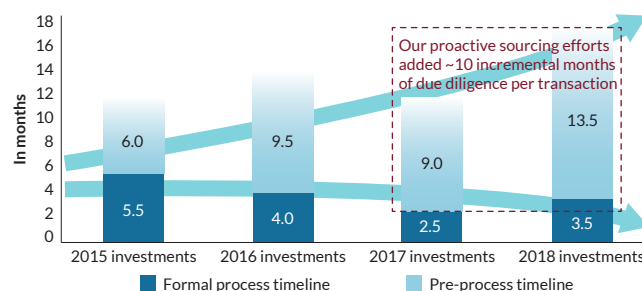
Source: Partners Group; S&P Global Leveraged Lending Review, Q3 2018.

As we do not operate in isolation, elevated valuations are a reality in our underwriting as well, especially given our focus on high-quality assets in high-growth segments. In order to mitigate the risk associated with paying competitive prices, our strategy is twofold.

On the one hand, we remain selective, investing in only around 1% of the private equity opportunities we screen. Increasingly, when it comes to due diligence, we are using the early visibility afforded by our platform and large team, aiming to identify target companies and conduct thorough research on them before they come up for sale. This enables us to source

opportunities in a systematic manner according to high-conviction investment themes and develop substantiated value creation and governance plans for our target assets early on.

Wrapping around target assets before the sales process has started



Note: formal vs. pre-process due diligence timelines for Partners Group direct private equity investments (2015-2018).

Source: Partners Group, October 2018.

On the other hand, we maintain our belief that to achieve attractive returns in this environment, private markets investment managers have no option but to excel in their value creation capabilities. For this reason, the focus on highly entrepreneurial ownership and active value creation is a fundamental trait of our investment strategy. That same focus offsets the multiple contraction assumption we use in our underwriting, which has increased from around 0.5x for investments made in 2016 to consistently 1-2x or more for investments made today.

Our current investment themes

In light of the competitive market, we continue to place a strong emphasis on Thematic Sourcing, searching for opportunities according to well developed investment themes. We conduct regular analyses in order to identify those sectors that we believe offer higher value relative to others in today's market. Based on this initial assessment, we systematically map out the

Market commentary

sub-sectors within these sectors that particularly benefit from structural growth or transformative trends and then develop tangible investment themes for each sub-sector with long-term growth prospects.

Examples of investment themes that have enabled us to successfully source recent investments include the growing demand for digital product engineering services, industrial consumables, outsourced manufacturing and discount retail.

We find the most compelling value in assets that combine attractive top-down market trends with bottom-up category leadership, underpinned by the opportunity to create value through entrepreneurial ownership. Within the sub-sectors where we see attractive opportunities, we continue to apply our proven investment focus on platform companies in fragmented markets, niche businesses with potential to gain market share in sub-segments of industries experiencing tailwinds and franchise companies with strong defensive capabilities and high cash flow generation. In many cases, we may identify or grow companies into category leaders that have the potential to outperform over a prolonged period of time.

How we realize relative value potential in private equity

Platform companies

We acquire platform companies or assets with a strong management team and infrastructure in a highly fragmented market and then purchase add-on companies to further grow the platform and benefit from synergies.

Niche winners

We acquire companies in sub-segments of specific industries benefiting from particularly strong products or services and demonstrating an ability to grow disproportionately, often through internationalization. We institutionalize the business and extend the product/service offering.

Franchise companies

We acquire businesses or assets on a stand-alone basis – typically, single assets with value creation potential as well as strong defensive capabilities, high cash flow generation and the ability to quickly de-leverage. We seek to broaden their network and strengthen their positioning.

Corporate sub-sector matrix: relative value focus areas and investable universe

Consumer	Industrials	Healthcare	Bus. & fin. services	TMT
Personalization & customization <ul style="list-style-type: none"> Niche market leaders Co-manufacturing 	Automation <ul style="list-style-type: none"> Vision sensors, micro-electro-mechanical sensors & drives Industrial consumables 	Ambulatory multi-site <ul style="list-style-type: none"> Employer onsite Physical therapy 	Financial services <ul style="list-style-type: none"> Off-balance sheet FIs Payment & transaction banking 	Enterprise software <ul style="list-style-type: none"> B2B enterprise software PaaS/SaaS models Cyber security software
Lifestyle & sustainability <ul style="list-style-type: none"> Health & wellness Infant markets Pet products & services 	Modern logistics <ul style="list-style-type: none"> Integrators Material handling systems Machine vision 	Outsourced device manufacturing <ul style="list-style-type: none"> Orthopedics Multi-line outsourcers 	Business process outsourcing <ul style="list-style-type: none"> Solutions for non-core functions Technology solutions 	IT services & infrastructure <ul style="list-style-type: none"> IT network & data center services Internet of things & edge computing
Premiumization & emerging middle class <ul style="list-style-type: none"> Aspirational brands High-growth categories 	Advanced manufacturing <ul style="list-style-type: none"> 3D-printing Technical components Predictive maintenance 	Life science supplies and reagents <ul style="list-style-type: none"> Genomics-based supplies Calibration standards 	Testing, inspection & certification <ul style="list-style-type: none"> New technologies and regulation Rising end-user expectations 	IT & technology outsourcing <ul style="list-style-type: none"> XaaS ("anything" as a service) Digitalization Outsourced product development
Digitalization <ul style="list-style-type: none"> Deep customer insights Channel/product disruption Customer engagement 	New materials <ul style="list-style-type: none"> Ceramics Metallurgy Nanotechnology 	Physician practice management <ul style="list-style-type: none"> Single specialty Multi-specialty 	Commercial services <ul style="list-style-type: none"> Industrial/onsite services Residential services 	Big data <ul style="list-style-type: none"> Big data intelligence Big data analytics Database platforms

Note: bullet points in black highlight sub-sectors with active investment opportunities. Bullet points in gray highlight future areas of focus for research or investment. Source: Partners Group, November 2018. For illustrative purposes only.

Market commentary



Private real estate

Providing solutions to complex situations.

In 2018, global real estate transaction activity further increased in the US and Asia-Pacific compared to the previous year, supported by high amounts of available capital. In Asia-Pacific, China and Japan remain the two largest markets. In contrast, European volumes are experiencing a marked slowdown and have fallen across most sectors, driven by lower levels of investment activity in the UK, Germany and Spain.

Since the Global Financial Crisis, low interest rates have supported real estate prices by lowering both borrowing costs and discount rates on future operating income. With the growth of real estate asset values, yields have compressed and are now at the lower end of their historical ranges across many markets. In parallel, global capital values have risen by around 30% since their low point in the cycle in 2009. Looking ahead, the potential impact of rising interest rates on the asset class warrants close attention.

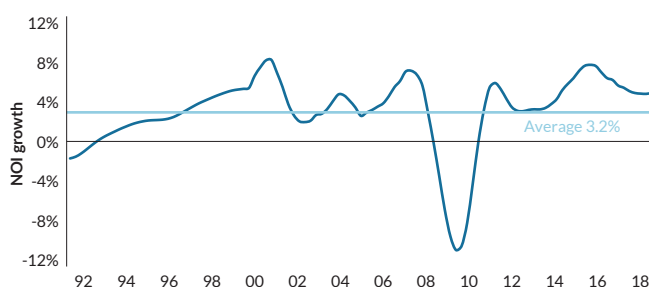
The potential impact of rising rates on real estate

With rising rates in the US and further rate increases expected to come, we are more cautious on the mid-term outlook for US real estate as the spread between cap rates and 10-year US Treasury yields continues to narrow and is now below the long-term average of around 430bps.

Historically, cap rate spreads have acted as a buffer to absorb rate increases without cap rates increasing in lock step. If yields continue to rise – as we expect them to – there will be a reduced capacity to absorb rate increases without upward movements in cap rates. This especially holds true if net operating income (NOI) growth is not able to offset the rate increases.

Our broad estimate suggests that 5% of NOI growth can offset around 25bps in cap rate increase. NOI growth, however, while still above the long-term average of 3.2%, is slowing, as highlighted in the following chart.

Long-term NOI growth in US real estate



Source: Costar, November 2018.

Our prudent underwriting standards take into consideration the impact of rising rates. We currently allow for a 50-100bps cap rate increase over our hold period. In addition, in this competitive environment and against the backdrop of rising rates, our continued focus on investments that have a value-add component provides us with the opportunity to actively drive NOI growth.

In terms of property types, office, logistics/ industrial and residential assets with tangible value creation potential or limited development risk still offer attractive opportunities in many parts of the globe, especially if sourced outside of competitive auction processes. For our older vintage investments, we are seeking exit options to lock in favorable market conditions and strong returns.

Our current investment themes

In spite of the near-record pricing for all main property types globally, we continue to focus on properties and cities benefiting from the transformative trends that will have a lasting impact on traditional real estate and enable superior growth. These include increased urbanization and the resulting demographic shifts generating demand for office and residential space as well as a growing e-commerce sector creating demand for logistics space.

Market commentary

In the residential sector, we like affordable built-to-let properties in expanding cities that attract diverse communities and suffer from a supply shortfall.

In the office sector, we favor assets that require a capital injection for upgrades in cities with competitive rents and high-quality public transportation systems. For office developments, which we pursue very selectively, we like established office hubs outside of the main CBD areas and buildings that have a certain degree of pre-leasing secured.

For industrial assets, we see relative value in XXL warehouses, “last mile” distribution facilities and hybrid office-industrial assets. Demand for these types of assets is increasing on the back of a growing e-commerce sector requiring large storage and distribution facilities. In addition, investments in technological improvements in logistics and distribution centers that allow tenants to enhance their supply chain, product chain and distribution channels are generating further demand for these segments.

Meanwhile, the retail segment is generally outside of our focus given the pressure on the sector from e-commerce.

As markets remain liquid, we prefer to avoid competitive processes as a means of sourcing opportunities in order to avoid crowded segments with low upside potential. Instead, we are further emphasizing our focus on special situations.

We typically seek the following characteristics for these situations: a bespoke structure, i.e. opportunities that others are discouraged from pursuing given their global and complex nature (in a portfolio of assets context); a trigger event, i.e.

opportunities that are unlocked by a special situation such as investor fatigue and/or discord; a sourcing angle, i.e. opportunities that can be secured off-market in an exclusive manner; and outperformance potential, i.e. opportunities with clear value-added potential to generate outperformance.

How we realize relative value potential in private real estate

We focus on providing solutions to operating or general partners that do not have the mandate, tenure or means to support asset-level business plans for their existing assets or portfolios. We continue to prefer asset strategies that fall into one or more of the following sub-strategies:

Buy below replacement cost

We target assets with low valuations located in rebounding markets that can be repositioned and then leased-up by under-cutting market rents.

Buy, fix and sell

We seek older buildings in great locations that are in need of owner-oriented asset management initiatives.

Develop core

We target markets with strong long-term fundamentals and trends that support additional absorption to selectively develop properties through ground-up construction.

Real estate sub-sector matrix: relative value focus areas and investable universe

Residential	Office	Industrial	Retail	Other
Residential to let <ul style="list-style-type: none"> Expanding cities Areas with mass market appeal E.g. Vienna 	CBD development <ul style="list-style-type: none"> Cities with supply constraints Active pre-leasing markets E.g. Seattle 	XXL logistics <ul style="list-style-type: none"> Regional distribution centers High-bay/cross-docked E.g. Australian East Coast 	Regional shopping centers* <ul style="list-style-type: none"> Premium fashion Leisure/food & beverage 	Hospitality* <ul style="list-style-type: none"> Diversified portfolios Properties with established trading history
Residential to sell <ul style="list-style-type: none"> Micro living Amenitized urban locations E.g. Stockholm 	CBD repositioning <ul style="list-style-type: none"> Capex-starved assets Submarkets with competitive rents E.g. Paris 	Last mile logistics <ul style="list-style-type: none"> Urban infill locations Flexible assets E.g. Chicago 	District shopping centers* <ul style="list-style-type: none"> Food & non-food Discount retailer-anchored 	Co-working* <ul style="list-style-type: none"> Flexible offer Freehold or leased estate
Affordable housing <ul style="list-style-type: none"> Key worker housing Discounted market rents E.g. regional UK 	Non-CBD development <ul style="list-style-type: none"> Established office hubs Public transport connectivity E.g. Denver 	Light manufacturing <ul style="list-style-type: none"> Hi-tech industries Established industrial hubs E.g. Shanghai 	Grocery units* <ul style="list-style-type: none"> Convenience offering Urban infill locations 	Senior housing <ul style="list-style-type: none"> Demographic-driven offering Independent living E.g. Florida
Student housing <ul style="list-style-type: none"> Strong student communities Off-campus offering E.g. Melbourne 	Non-CBD repositioning <ul style="list-style-type: none"> Areas with good transport links Properties with adjacent amenities E.g. Sydney 	Hybrid office-industrial <ul style="list-style-type: none"> Space with up to 50% office content Light product assembly E.g. Raleigh-Durham 	Retail warehouses* <ul style="list-style-type: none"> Mixed product offering Click & collect potential 	Urban mixed-use <ul style="list-style-type: none"> “Work-live-play” offering Gentrifying suburbs E.g. Brisbane

*Currently outside of our investment focus.

Note: bullet points in black highlight Partners Group focus areas.

Source: Partners Group, November 2018. For illustrative purposes only.

Market commentary



Private debt

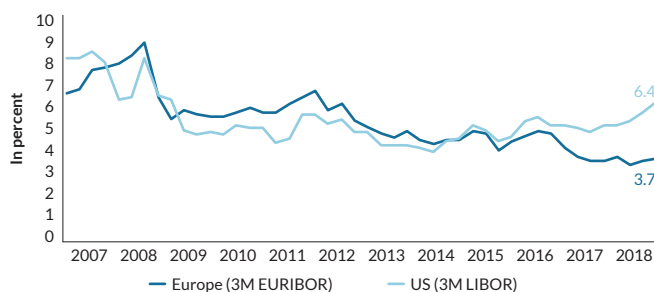
Protecting capital in a competitive market.

Stable demand for financings driven by high transaction activity continues to serve as a tailwind for institutional investors in private debt. Investors have generally increased allocations to floating-rate private debt investments to protect against interest rate increases and obtain stable yield. Overall, the inflow of liquidity into the market, as well as the first steps toward deregulation in the US market, have kept competition for high-quality investments at a healthy level.

US market overview

In the US, demand for second lien remains robust and is even finding its way into syndicated processes. In combination with strong demand for new loans, new issue spreads continue to be tight, although we have noted an uptick to 388bps in Q3 2018. At the same time, the floating 3-month Libor base rate currently stands at 2.5%, providing a positive impact on private debt investment returns for USD investors.

Base rates plus weighted average new issue institutional senior debt spreads



Source: Bloomberg; S&P LCD, Q3 2018.

Leverage levels for buyouts in the US are still high at close to 6x, similar to pre-Global Financial Crisis levels. While equity cushions continue to be very high at around 40%, compared to just over 30% in 2007, prices in the private equity market have increased since then as investors have been willing to pay higher valuation multiples. In this environment, focusing on credit quality is crucial.

Currently, we see relative value in second lien for (upper) mid-cap companies. These businesses often tend to exhibit superior stability and resilience – and the second lien debt is contractually secured. Second lien spreads continue to be attractive at around a 390bps return difference to first lien spreads.

In select cases, investing in preferred equity in attractive sectors with high-quality private equity partners or taking equity kickers to increase returns can be good relative value opportunities. We further expect attractive risk/return profiles in unitranche financings, where we can position ourselves as the sole debt investor in a business and therefore steer terms.

European market overview

Senior leveraged loan volumes in Europe are tracking at roughly the same pace as last year. Leverage levels for buyouts in Europe increased slightly in Q3 2018 to 5.6x. In contrast to the US, this remains well below pre-crisis levels. Moreover, equity cushions in Europe have increased to near-record levels of 47%, although we expect this to normalize and come down slightly in the coming months.

Market commentary

On the back of this supply and demand dynamic, spread levels in Europe have seen upticks in the first three quarters of 2018 to a level of 402bps, although Euribor remains in negative territory. We have further noted an increase in the rate of repayments, with debt often being repaid in one to three years. Early repayments require an even stronger focus on sourcing transactions and re-investing capital going forward.

Unlike in the US, the regulatory environment remains stable, and we observe no deregulation efforts. Relative value remains to be found in mid-cap direct loans, in particular club-style executions, which can offer a premium and solid downside protection, with a small group of high-quality lenders in the club.

Directly placed second lien debt also continues to be an attractive financing solution for issuers of mid-cap transactions given the limited execution risk, the certainty on the terms and conditions of the financing and the comparable cost to syndicated solutions. For these transactions, the flexibility to offer multiple European currencies can give private debt providers an edge.

Our current investment themes

In the US, mid-market and upper-mid-market direct loans have continued to offer the most attractive return potential in private debt. Having access to broad deal flow from high-quality private equity partners remains key to investing selectively and building well diversified credit portfolios with downside protection. Moreover, we remain focused on identifying certain attractive sub-sectors, particularly within IT, healthcare and business services, which exhibit defensive characteristics.

In Europe, we continue to offer tailor-made structures to meet company-specific needs and to back category winners in our debt portfolio with add-on acquisition financing, searching for attractive opportunities with appropriate downside protection. Both strategies provide us with a competitive advantage among other sources of financing.

In Asia-Pacific, demand for cross-border financing remains strong as private equity firms in Asia continue to acquire US and European assets. We also continue to see demand from private equity firms in Australia and the broader Asia-Pacific region for unitranche structures. Unitranche debt, which combines elements of both senior and subordinated debt into a single stretched senior tranche, has provided a competitive and differentiated offering for sponsors as compared to traditional bank offerings, which remain conservative in this space.

Liquid loans: diversification and active management

While we did see somewhat of a pullback in secondary loan pricing levels in mid-2018, in general, our investments in the liquid loan market have been focused on the primary market, where we can leverage relationships from our direct loan business. We have taken advantage of the weaker market during this time to invest in primary loans at reasonably attractive pricing levels.

We used the relative strength of the secondary loan market throughout most of H1 2018 to reduce holdings in existing names above par in order to make room for primary allocations, with the aim of generating additional return and a more diversified portfolio of liquid loans.

How we realize relative value potential in direct and subordinated loans

Offer tailor-made structures

We offer flexible and tailor-made capital structures that support companies' specific cash flow profiles and working capital needs.

Target attractive sub-sectors

We target sub-sectors within industries where we see above-average sector resilience and where we have the depth of experience and high confidence in underlying growth fundamentals.

Support buy-and-build strategies

We support successful sponsors and management teams that are familiar to us in their buy-and-build strategies by providing add-on acquisition financing in a timely manner, particularly under strict time constraints.

Market commentary



Private infrastructure

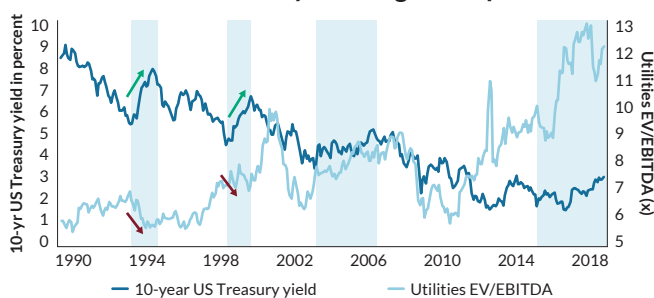
Focusing on the right trends.

The infrastructure asset class has experienced an impressive growth trajectory, with both transacted volumes and available capital growing at a high pace over the past few years. The continued increase in demand from investors has led to more competition in the sector and is putting upward pressure on valuation multiples. In turn, this is leading to lower overall expected returns, particularly for core operating assets.

Investors justify paying high prices by pointing to the quality of the underlying assets and the long-term nature of infrastructure investments – a compelling argument in the past few years' low-yield environment. However, as interest rates are set to rise in the US and potentially elsewhere, and as the promise of further growth in valuations appears to be slipping away, the risk of overpaying is high.

Looking at how public utilities have performed during past rate hike cycles, it becomes clear how sensitive infrastructure valuations are to interest rates. The following chart illustrates two findings: valuations are cyclical, and periods of rising rates have usually coincided with declining valuation multiples.

Infrastructure sensitivity to rising rates: public utilities



Note: shaded areas mark periods of Fed rate hikes.
Source: Partners Group; Bloomberg, August 2018.

For Partners Group as an investor, these observations have two main implications. On the one hand, we ensure that we maintain our portfolio's exposure to rising interest rates at a minimum. This means that we select investments with inflation-linked or correlated revenues and low correlation to GDP and hedge the cost of debt. Additionally, in order to limit the potential impact of buyer discount rates at exit in light of rising rates, on average, we have prudently assumed over 10% multiple contraction in the underwriting of our investments over the last two years.

On the other hand, we focus on investments that have a value-add component, providing us with the opportunity to actively shape business strategy and manage operations to increase profitability. We have long emphasized the need for investors in this environment to build value rather than buy it, and we continue to seek opportunities to create value through our three key strategies: operational value creation, platform expansion and building core. These strategies allow us to actively achieve multiple expansion in our assets by de-risking and scaling up their asset base and leveraging non-market-based drivers such as earnings growth.

Our current investment themes

In terms of originating and executing investments, we continue to focus on the global trends that we believe will generate attractive infrastructure investment opportunities for some time to come. These include the global shift toward clean and more efficient energy, the need for ancillary infrastructure business services and the disruption in traditional energy resource flows as a result of the shale gas revolution in the US. The latter has significant implications not only for the energy industry itself but also for the transportation industry.

Market commentary

Across all our key sectors, we continue to search for value in non-core segments of the market. Currently, we see particular value in services-focused infrastructure businesses, such as transport logistics or energy management businesses and infrastructure companies providing ancillary power services. We also continue to overweight the renewable power sector as well as assets and services in the midstream space, including storage and export logistics for natural gas and gas products.

Regardless of the sector or sub-sector, all potential investment opportunities must be underpinned by the opportunity to create value during our ownership. Active value creation in infrastructure requires extensive resources and operational capabilities. We are able to leverage our global platform to access a proprietary toolkit of best practices, benchmarks and service providers not only in infrastructure but also across private markets.

We have a large in-house Industry Value Creation and Asset Management team that acts as an integral part of our investment underwriting. During the hold period, these operational specialists are active as board members, advisors and coaches to management in our infrastructure projects and companies. In addition, we thoroughly screen potential external board members for our assets and are highly selective in terms of their relevant experience and value-add to the asset.

How we realize relative value potential in private infrastructure

Capitalize on platform expansion opportunities

We look for investments that offer us the opportunity to build scale, for example through investing in fragmented markets that have the potential for consolidation and platform-building.

Proactively build core

We seek out opportunities where strong long-term fundamentals in a particular market support the demand for building a select type of infrastructure, for example due to evolving infrastructure needs or changing market fundamentals.

Focus on operational value creation

We focus on investment opportunities that offer us the potential to enhance operational value through growth and efficiency improvements. A key source of these opportunities is the ongoing trend for corporate owners of infrastructure to sell assets as part of a restructuring.

Infrastructure sub-sector matrix: relative value focus areas and investable universe

	Transport/logistics	Power	Energy infrastructure	Social infra/PPPs	Communications
Services	Transport logistics <ul style="list-style-type: none"> Integrated supply chain services Multi-modal transportation Air/rail/water transportation equipment leasing 	Ancillary power <ul style="list-style-type: none"> Distributed generation Installation of power supplies Utility scale battery storage 	Energy management <ul style="list-style-type: none"> Metering/sub-metering Energy equipment leasing Utility location services 	Public services <ul style="list-style-type: none"> Transport solutions: mobility as a service Digitization of public services Smart cities 	Specialty communications <ul style="list-style-type: none"> Emergency communications Network management & monitoring
	Ports <ul style="list-style-type: none"> Port operations Terminal logistics development Automation of towage & freight handling 	Renewable - wind/solar <ul style="list-style-type: none"> Building core offshore wind Platform expansion of onshore wind & solar Integrated renewables platforms 	Transmission <ul style="list-style-type: none"> Electric transmission Smart grids Stand-alone transmission networks 	Health <ul style="list-style-type: none"> Public/private health services Elderly care/child care Medical facilities 	Fiber <ul style="list-style-type: none"> Wholesale connectivity Network builds for Telcos End-user/bridging rural divide
	Surface transportation <ul style="list-style-type: none"> Public transportation Roads & short line rails Next generation mobility: parking/eVehicle infrastructure 	Renewable - other <ul style="list-style-type: none"> Hydro Waste-to-energy solutions Biomass 	Distribution <ul style="list-style-type: none"> Gas & electric utilities District heating/cooling Piped energy distribution systems 	Housing & education <ul style="list-style-type: none"> Building & convenience utilities Higher education asset concessions Student/military housing 	Data centers <ul style="list-style-type: none"> Hyperscale data centers Asset carve-outs from strategics Regional/edge data centers
Assets	Airports <ul style="list-style-type: none"> Terminal concessions Regional airports Consolidation opportunities for fixed-base operators 	Conventional <ul style="list-style-type: none"> Thermal generation that is complementary to renewables Gas Co-generation 	Midstream <ul style="list-style-type: none"> Gathering & processing Pipelines for refined products/natural gas/natural gas liquids Storage solutions 	Civic and utilities <ul style="list-style-type: none"> Waste(water) treatment/disposal Community & sports facilities Local government facilities 	Towers/masts <ul style="list-style-type: none"> Support 5G and higher data rates Telecom towers, small cells Net-co solutions: asset carve-outs from Telcos

Note: bullet points in black highlight Partners Group focus areas.
Source: Partners Group, November 2018. For illustrative purposes only.

Key definitions and alternative performance metrics (APM)

Key definitions

Assets under management (AuM): Partners Group aims to mirror the fee basis for its various programs and mandates when calculating AuM. AuM covers programs, mandates and assets to which Partners Group renders (full or partial) investment management or advisory services, and does not cover consultant, transaction or other ancillary services it may render to clients or assets from time to time. AuM is typically calculated as either i) the program size, ii) outstanding commitments to investments, iii) the net asset value or the outstanding principal of investments, or iv) the respective investment exposure.

The AuM basis is increased by the amount of assets raised that are based on i) subscriptions, or ii) new fee-paying assets and amounts planned to be invested which would become fee-paying assets in the following six months. Reductions in the AuM basis for mature programs i) may follow a fixed schedule, ii) can be based on the cost of realizing assets, or iii) may be the result of such programs being liquidated. The AuM basis is also reduced by redemptions on open-ended programs. Further changes in the AuM basis may be explained by factors such as performance or changes in FX rates.

Alternative performance metrics (APM)

Partners Group uses various financial and alternative performance metrics (APM) to measure its financial performance as part of its financial reporting. The APMs used by Partners Group supplement the measures that are documented and published in accordance with International Financial Reporting Standards (IFRS). An APM is defined as a financial measure of historical or future financial performance, financial position or cash flows that is not already defined or specified in the applicable financial reporting framework.

APMs are predominantly operational management metrics and undergo regular performance reviews in both internal and external reporting. The resulting findings are taken into account as part of a strategy review process. We must point out that the comparability of APMs within the industry can be limited due to different calculation methods.

Partners Group uses the following APMs:

Earnings before interest and tax (EBIT) stands for the sum of revenues from management services, net, including other operating income and expenses before net finance result and before taxes (taxes on income).

Earnings before interest, tax, depreciation and amortization (EBITDA) stands for the sum of revenues from management services, net, including other operating income and expenses before net finance result, before taxes (taxes on income) and before depreciation and amortization. This metric is used by Partners Group as the financial target in its internal presentations (business plans) and in its external presentations (to analysts and investors). EBITDA is considered as a useful unit of measurement for evaluating the operating performance of the group.

EBITDA margin is calculated as earnings before interest, tax, depreciation and amortization (EBITDA) divided by revenues from management services, net, including other operating income. It is one of the key operational management metrics as it provides an indication of the profitability of the business.

In millions of Swiss francs	2018	2017
EBITDA	882	825
Revenues from management services, net, including other operating income	1'326	1'245
EBITDA margin	66%	66%

Key definitions and alternative performance metrics (APM)

Equity ratio is calculated as equity attributable to owners of the Company divided by total liabilities and equity.

Net liquidity position is calculated as cash and cash equivalents including short-term loans to products, minus total short-term and long-term debt.

In millions of Swiss francs	2018	2017
Cash and cash equivalents	412	852
Short-term loans	1'113	713
Long-term debt	(299)	(299)
Net liquidity position	1'226	1'267

Revenue margin is calculated as revenues from management services, net, including other operating income, divided by average assets under management (in CHF) calculated on a daily basis.

In millions of Swiss francs	2018	2017
Revenues from management services, net, including other operating income	1'326	1'245
Average assets under management (in CHF) calculated on a daily basis.	77'615	65'817
Revenue margin	1.71%	1.89%

Return on average shareholders' equity (RoE) is calculated as profit for the period, divided by average equity attributable to owners of the Company.

In millions of Swiss francs	2018	2017
Profit for the period	769	752
Average equity attributable to owners of the Company	1'962	1'748
Return on equity	39%	43%

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Report of the auditors on the consolidated financial statements



Statutory Auditor's Report

To the General Meeting of Partners Group Holding AG, Baar

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Partners Group Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 42 to 109) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters



Recognition of revenues from management services (net)



Valuation of financial investments

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Report of the auditors on the consolidated financial statements



Recognition of revenues from management services (net)

Key Audit Matter

Revenues from management services, which comprises management fees, commitment fees, organisational fees and performance fees, are the result of investment management services within the Group's operating segments. Payments to third parties for the introduction of clients as well as rebates paid to clients are recognised as revenue deductions.

Revenues from management services (net) is an area of focus due to the size and importance to the Group's results.

The calculations of revenues and revenue deductions are largely automated. There are a number of inherent risks in calculating certain types of revenue and revenue deductions including the interpretation and manual input of key contractual terms, which could lead to errors. The bespoke and complex nature of underlying investment management agreements and other contractual terms involving multiple Group entities requires effective monitoring to ensure all financial terms and conditions are captured completely and accurately and are applied appropriately.

Performance fees are inherently more complex in nature. The assessment of the likelihood of a future clawback on such fees and the determination whether criteria set in the carried interest arrangements are met require management's judgement. The determination of performance fees is based on the underlying valuation of the investment portfolio and requires manual interventions.

Our response

Amongst other procedures, we obtained an understanding of management's processes and controls around the calculation of revenues and revenue deductions by performing walkthrough procedures, testing relevant key controls and evaluating the governance structure. We analysed independent third party controls reports on valuation related processes and controls to determine whether they were appropriate for our purposes.

On a sample basis, we obtained confirmations from the external auditor of the underlying investment programs on the revenues from management services covered in their audit and reconciled these revenues to the Group's general ledger. We also performed inquiries with the external auditor of the underlying investment programs to confirm that the audits on the sampled investment programs were completed.

On a sample basis, we agreed revenue deductions to underlying contracts and performed manual recalculations.

We obtained an understanding of the Group's processes and controls around the calculation of performance fees by evaluating the terms and conditions set out in the underlying partnership agreements and performing walkthrough procedures. On a sample basis, we tested performance fees by:

- Performing analytical procedures based on our understanding of investment realisations and the performance of the investment fund;
- Discussing and evaluating management's assessment of the likelihood of a future clawback of performance fees by challenging and back-testing the key assumptions. We further corroborated whether such fees had been recognised in the appropriate period;
- Reconciling potential performance fee values used in the assessment of a future clawback to the accruals in the financial statement of the underlying investment programs; and
- Evaluating completeness by assessing whether a sample of eligible but unearned performance fees should have been recognised during the 2018 financial year.

For further information on the recognition of revenues from management services (net) refer to notes 2, 3 and 19.2 to the consolidated financial statements on pages 50 to 55 and 98.

Report of the auditors on the consolidated financial statements



Valuation of financial investments

Key Audit Matter

As at 31 December 2018, financial investments on the Group's balance sheet amounted to CHF 554.0 million (2017: CHF 451.8 million). In addition, financial investment presented as assets held for sale amounted to CHF 91.0 million (2017: CHF 260.8 million). These assets represent a significant portion of the Group's total balance sheet.

The financial investment and assets held for sale portfolio comprises a large number of unquoted securities for which no prices are available and which have little or no observable inputs. The Group applies valuation techniques such as the market approach, the income approach or the adjusted net asset value method that are based on international standards.

The fair value assessment requires significant judgement by management, in particular with regard to key input factors such as earnings multiples, liquidity discounts, discount rates or the selection of valuation multiples.

Our response

Our procedures included obtaining an understanding of the Group's processes and key controls around the valuation of and accounting for unquoted investments by performing walkthrough procedures, testing relevant key controls and evaluating the valuation governance structure. We analysed independent third party controls reports on valuation related processes and controls to determine whether they were appropriate for our purposes.

On a sample basis, we obtained confirmations from the external auditor of the underlying investment programs on their net asset values or the valuation of their investments. We also performed inquiries with the external auditor of the underlying investment programs to confirm that the audits on the sampled investment programs were completed. The proportionate holdings of the Group in such financial investments were reconciled to the Group's transaction records that are kept for each investor.

We further assessed if adjustments to the fair values in the financial statements of the underlying investment programs are required.

For further information on the valuation of financial investments refer to notes 2 and 5 to the consolidated financial statements on pages 50 and 64 to 77.

Report of the auditors on the consolidated financial statements



Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the company, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

Report of the auditors on the consolidated financial statements



concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Thomas Dorst
Licensed Audit Expert
Auditor in Charge

Philipp Rickert
Licensed Audit Expert

Zurich, 6 March 2019

Consolidated income statement for the years ended 31 December 2018 and 2017

In millions of Swiss francs	Note	2018	2017
Management fees and other revenues, net		956.5	841.9
Performance fees, net		323.7	372.1
Revenues from management services, net	3.	1'280.2	1'214.0
Other operating income ¹⁾	5.2.	45.7	30.9
Personnel expenses	4.1.	(376.5)	(359.3)
Other operating expenses	10.	(67.8)	(60.2)
EBITDA ²⁾		881.6	825.4
Depreciation and amortization	11.&12.	(16.8)	(14.0)
EBIT ²⁾		864.8	811.4
Finance income	5.1.	40.1	50.4
Finance expense	5.1.	(17.4)	(14.7)
Profit before tax		887.5	847.1
Income tax expense	9.1.	(118.2)	(94.8)
Profit for the period		769.3	752.3
Profit for the period attributable to owners of the Company		769.3	752.3
Basic earnings per share (in Swiss francs)	15.	28.91	28.37
Diluted earnings per share (in Swiss francs)	15.	28.65	28.09

¹⁾ This includes the share of results of associates, previously disclosed separately.

²⁾ For definitions please refer to p. 33.

Consolidated statement of comprehensive income for the years ended 31 December 2018 and 2017

In millions of Swiss francs	Note	2018	2017
Profit for the period		769.3	752.3
Other comprehensive income:			
Exchange differences on translating foreign operations		(39.5)	38.2
Total other comprehensive income that may be reclassified to the income statement in subsequent periods		(39.5)	38.2
Net actuarial gains/(losses) from defined benefit plans	4.5.2.	(1.3)	2.8
Tax impact on net actuarial gains/losses from defined benefit plans	9.2.	0.2	(0.4)
Actuarial gains/(losses) from defined benefit plans, net of tax		(1.1)	2.4
Total other comprehensive income not being reclassified to the income statement in subsequent periods, net of tax		(1.1)	2.4
Total other comprehensive income for the period, net of tax		(40.6)	40.6
Total comprehensive income for the period, net of tax		728.7	792.9
Total comprehensive income attributable to owners of the Company		728.7	792.9

Consolidated balance sheet

as of 31 December 2018 and 2017

In millions of Swiss francs	Note	31 December 2018	31 December 2017
Assets			
Cash and cash equivalents		412.2	852.3
Trade and other receivables ¹⁾	5.4.1	403.8	384.9
Short-term loans	5.3.4.	1'113.4	713.4
Assets held for sale	5.3.3.	91.0	260.8
Total current assets		2'020.4	2'211.4
Property and equipment	11.	67.6	28.0
Intangible assets	12.	61.8	61.5
Investments in associates	6.	55.0	90.1
Financial investments	5.3.2.	554.0	451.8
Other financial assets	5.3.5.	166.7	64.0
Employee benefit assets	4.5.	-	1.2
Deferred tax assets	9.2.	23.6	24.7
Total non-current assets		928.7	721.3
Total assets		2'949.1	2'932.7

¹⁾ This includes marketable securities, previously disclosed separately.

Consolidated balance sheet

as of 31 December 2018 and 2017

In millions of Swiss francs	Note	31 December 2018	31 December 2017
Liabilities and equity			
Liabilities			
Trade and other payables ¹⁾	7.	234.5	215.6
Income tax liabilities		81.7	57.2
Employee benefit liabilities ¹⁾	4.5.	121.9	127.9
Liabilities held for sale	5.3.3.	54.1	155.1
Total current liabilities		492.2	555.8
Employee benefit liabilities ¹⁾	4.5.	158.2	116.7
Provisions ¹⁾		0.3	0.2
Deferred tax liabilities	9.2.	2.5	2.9
Long-term debt	13.	299.4	299.2
Other long-term liabilities	5.4.3.	28.6	2.1
Total non-current liabilities		489.0	421.1
Total liabilities		981.2	976.9
Equity			
Share capital	14.	0.3	0.3
Treasury shares		(143.6)	(57.1)
Legal reserves		0.2	0.2
Other components of equity		2'111.0	2'012.4
Equity attributable to owners of the Company		1'967.9	1'955.8
Total liabilities and equity		2'949.1	2'932.7

¹⁾ Comparative amounts have been re-presented. For further information, see note 4.5.

Consolidated statement of changes in equity

for the years ended 31 December 2018 and 2017

In millions of Swiss francs	Equity attributable to owners of the Company						2018
	Share capital	Treasury shares	Legal reserves	Other components of equity			Total
Translation reserves				Retained earnings	Total other components of equity		
Balance as of 1 January 2018	0.3	(57.1)	0.2	(53.8)	2'066.2	2'012.4	1'955.8
Transactions with owners of the Company, recorded directly in equity							
<i>Contributions by and distributions to owners of the Company:</i>							
Purchase of treasury shares		(573.6)					(573.6)
Disposal of treasury shares		487.1			(61.3)	(61.3)	425.8
Contractual obligation to purchase treasury shares					(110.0)	(110.0)	(110.0)
Option premium					1.3	1.3	1.3
Share-based payment expenses					47.2	47.2	47.2
Tax effect on share-based payment and treasury share transactions					(1.0)	(1.0)	(1.0)
Dividends paid to owners of the Company					(506.3)	(506.3)	(506.3)
Total contributions by and distributions to owners of the Company	-	(86.5)	-	-	(630.1)	(630.1)	(716.6)
Profit for the period					769.3	769.3	769.3
Total other comprehensive income for the period, net of tax	-	-	-	(39.5)	(1.1)	(40.6)	(40.6)
Total comprehensive income for the period, net of tax	-	-	-	(39.5)	768.2	728.7	728.7
Balance as of 31 December 2018	0.3	(143.6)	0.2	(93.3)	2'204.3	2'111.0	1'967.9

Consolidated statement of changes in equity

for the years ended 31 December 2018 and 2017

In millions of Swiss francs	Equity attributable to owners of the Company						2017
				Other components of equity			
	Share capital	Treasury shares	Legal reserves	Translation reserves	Retained earnings	Total other components of equity	Total
Balance as of 1 January 2017	0.3	(73.0)	0.2	(92.0)	1'705.3	1'613.3	1'540.8
Transactions with owners of the Company, recorded directly in equity							
<i>Contributions by and distributions to owners of the Company:</i>							
Purchase of treasury shares		(152.0)					(152.0)
Disposal of treasury shares		167.9			(42.2)	(42.2)	125.7
Share-based payment expenses					32.4	32.4	32.4
Tax effect on share-based payment and treasury share transactions					13.4	13.4	13.4
Dividends paid to owners of the Company					(397.4)	(397.4)	(397.4)
Total contributions by and distributions to owners of the Company	-	15.9	-	-	(393.8)	(393.8)	(377.9)
Profit for the period					752.3	752.3	752.3
Total other comprehensive income for the period, net of tax	-	-	-	38.2	2.4	40.6	40.6
Total comprehensive income for the period, net of tax	-	-	-	38.2	754.7	792.9	792.9
Balance as of 31 December 2017	0.3	(57.1)	0.2	(53.8)	2'066.2	2'012.4	1'955.8

Consolidated statement of cash flows

for the years ended 31 December 2018 and 2017

In millions of Swiss francs	Note	2018	2017
Operating activities			
Profit for the period		769.3	752.3
<i>Adjustments:</i>			
Net finance (income) and expense	5.1.	(22.7)	(35.7)
Income tax expense	9.1.	118.2	94.8
Depreciation and amortization	11.&12.	16.8	14.0
Share-based payment expenses	4.2.	47.2	32.4
Change in provisions ¹⁾		0.1	(1.0)
Change in employee benefit assets/liabilities ¹⁾		36.2	58.2
Non-cash change in other financial assets		(79.2)	(56.3)
Non-cash change in other long-term liabilities		26.9	0.0
Operating cash flow before changes in working capital		912.8	858.7
(Increase)/decrease in trade and other receivables and short-term loans		(440.0)	(157.3)
Increase/(decrease) in trade and other payables ¹⁾		(89.5)	144.0
Financial expenses (other than interest) paid		(2.8)	(2.6)
Cash generated from/(used in) operating activities		380.5	842.8
Income tax paid		(96.8)	(61.7)
Net cash from/(used in) operating activities		283.7	781.1
Investing activities			
Proceeds on disposal of fixed deposits		-	32.5
Purchase of property and equipment	11.	(43.9)	(10.4)
Purchase of intangible assets	12.	(13.2)	(20.7)
Purchase of financial investments ²⁾		(115.6)	(168.2)
Proceeds on disposal of financial investments ³⁾		104.7	132.5
Proceeds on disposal of investments in associates	6.	28.0	42.9
Purchase of other financial assets		(26.4)	(0.6)
Proceeds on disposal of other financial assets		0.4	-
Interest received	5.1.	1.6	0.4
Net cash from/(used in) investing activities		(64.4)	8.4

¹⁾ Comparative amounts have been re-presented. For further information, see note 4.5.

²⁾ Purchases of assets and liabilities held for sale are included in this line item.

³⁾ Proceeds on disposal of assets and liabilities held for sale are included in this line item.

Consolidated statement of cash flows

for the years ended 31 December 2018 and 2017

In millions of Swiss francs	Note	2018	2017
Financing activities			
Repayments of credit facilities		(175.0)	(160.0)
Drawdowns from credit facilities		175.0	160.0
Issuance of long-term debts	13.	-	299.2
Interest paid		(4.1)	(1.5)
Dividends paid to shareholders of the Company	14.	(506.3)	(397.4)
Purchase of treasury shares		(573.6)	(152.0)
Disposal of treasury shares		425.8	125.6
Option premium received		1.3	-
Net cash from/(used in) financing activities		(656.9)	(126.1)
Net increase/(decrease) in cash and cash equivalents		(437.6)	663.4
Cash and cash equivalents as of 1 January		852.3	186.0
Exchange differences on cash and cash equivalents		(2.5)	2.9
Cash and cash equivalents as of 31 December		412.2	852.3

In millions of Swiss francs	31 December 2018	31 December 2017
Bank balances	412.2	852.3
Petty cash	0.0	0.0
Total cash and cash equivalents	412.2	852.3

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

1. Reporting entity

Partners Group Holding AG (“the Company”) is a company domiciled in Switzerland whose shares are publicly traded on the SIX Swiss Exchange. The address of the Company’s registered office is Zugerstrasse 57, 6341 Baar-Zug, Switzerland. The consolidated financial statements for the years ended 31 December 2018 and 2017 comprise the Company and its subsidiaries (together referred to as “the Group”) and the Group’s interest in associates. The consolidated financial statements were authorized for issue by the Board of Directors (“BoD”) on 6 March 2019 and are subject to approval at the Annual General Meeting of shareholders on 15 May 2019.

The principal activities of the Group are described in note 3.

The consolidated financial statements present a true and fair view of the Group’s financial position, results of operations and cash flows in accordance with International Financial Reporting Standards (“IFRS”) and comply with Swiss law.

2. Critical accounting estimates and judgments

Estimates and judgments are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future and exercises judgment in applying its accounting policies. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as well as significant judgments in applying accounting policies, are discussed below.

(a) Accounting for investment programs

The Group assessed its involvement with the investment programs that it manages to determine whether it has control over them (see note 19.3.). In accordance with IFRS 10, the Group assessed its power over the investment programs, its exposure or rights to variable returns and its ability to use its power to affect its returns. The assessment determined whether the Group acts as an agent on behalf of the investors in the investment programs and within delegated decision-making rights or as a principal.

In its assessment, the Group focused on its exposure to the total economic interest in the investment programs which is a combination of the stake the Group holds in an investment program and the Group’s remuneration for its activities with regard to an investment program. IFRS 10 does not provide clear-cut thresholds for determining whether or not an investment program is controlled. The Group took all facts and circumstances into consideration and concluded that it acts as an agent for all investment programs that it manages, except for seed capital financed investment programs (see note 19.15.). For further details on the investment programs and their carrying amounts please refer to note 5.3.2.

(b) Fair value

A significant portion of the Group’s assets and liabilities are carried at fair value. The fair value of some of these assets is based on quoted prices in active markets or observable inputs.

In addition, the Group holds financial instruments for which no quoted prices are available and which have little or no observable inputs. For these financial instruments, the determination of fair value requires subjective assessment with varying degrees of judgment depending on liquidity, concentration, pricing assumptions, the current economic and competitive environment and the risks affecting the specific financial instrument. In such circumstances, valuation is determined based on management’s judgment about the assumptions that market participants would use in pricing assets or liabilities (including assumptions about risk). These financial instruments mainly include derivatives, private equity, private debt, private real estate and private infrastructure investments.

For more information regarding fair value measurement refer to note 5.5.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

(c) Revenue recognition

Instances may arise where the Group has to decide whether revenues should be recognized or not. This mainly relates to performance fees, which are foreseeable, but have not yet been collected by the Group or are subject to claw-back. A “claw-back” ensures that investors in an investment program are returned any performance fees paid in excess of the originally agreed percentage during the life of the investment program. It protects investors from paying performance fees on one investment, and then having a subsequent investment incur losses resulting in overall performance fees paid in excess of the originally agreed upon terms. Performance fees are only recognized once the likelihood of a potential future claw-back is no longer considered meaningful in the assessment of the Group.

3. Segment information

The BoD has been identified as the chief operating decision-maker. The BoD reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the following operating segments based on these reports:

- Private equity
- Private debt
- Private real estate
- Private infrastructure

In these operating segments, the Group services its clientele with investment management services in the private markets spectrum. These services are comprised of structuring and investment advising as relates to direct investments in operating companies or assets and investments in third party managed investment programs. In its management services, the Group offers diversified as well as more focused investment programs as relates to investment styles, industry and geography of the investments in private markets.

Private equity

Private equity refers to investments made in private – i.e. not publicly traded – companies. On behalf of its clients, the Group focuses on investing directly into companies with the objective of driving forward strategic initiatives and operational improvements. In addition, the Group also invests into the private equity secondary market by acquiring portfolios of privately held companies and in the primary market by maintaining a comprehensive set of investment relationships. The Group invests across sectors and regions based on a relative value investment approach.

Private debt

Private debt refers to debt financing for private – i.e. not publicly traded – companies. On behalf of its clients, the Group focuses on providing tailored financing solutions for businesses seeking non-bank funding due to their limitations in entering capital markets. The Group provides debt capital across the entire debt structure, ranging from senior loans to mezzanine financing solutions, as well as across sectors and regions based on a relative value investment approach.

Private real estate

Private real estate refers to investments made in private – i.e. not publicly traded – real estate assets. On behalf of its clients, the Group focuses on investing in real estate with value creation opportunities. The Group invests across the capital structure in either equity or debt instruments, as well as across sectors and regions based on a relative value investment approach.

Private infrastructure

Private infrastructure refers to investments made in private – i.e. not publicly traded – infrastructure assets. On behalf of its clients, the Group focuses on investing in essential infrastructure with development potential through active ownership. The Group invests across the capital structure in either equity or debt instruments, as well as across sectors and regions based on a relative value investment approach.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

The activities in all operating segments consist of:

- Strategic asset allocation and portfolio management
- Investment management and monitoring
- Risk management
- Reporting and portfolio administration
- Relationship management

The BoD assesses the performance of the operating segments based on gross segment results, determined by the allocation of directly attributable revenues and expenses for the respective operating segment. Therefore, the gross results per operating segment do not include the allocation of expenses that are not directly attributable, such as overhead and general operating expenses, etc. All non-directly attributable elements of profit or loss are summarized in the unallocated column.

Management believes that this reporting is most relevant in evaluating the results of its operating segments.

There were no inter-segment transactions and, as such, no eliminations are necessary.

As the Group pursues a fully integrated investment approach, many professionals are engaged in assignments across several operating segments within the private markets asset classes. Thus, only the personnel expenses of those professionals entirely dedicated to a single operating segment have been allocated to the respective operating segments. This has led to the majority of personnel expenses being unallocated to any of the operating segments. The same applies to other operating expenses. Depreciation and amortization have not been allocated to the operating segments.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

In millions of Swiss francs	Operating segments						2018	
	Private equity	Private debt	Private real estate	Private infrastructure	Total reportable segments	Unallocated	Total	
Management fees and other revenues	674.0	116.7	169.9	125.5	1'086.1	7.0	1'093.1	
Performance fees	335.1	3.8	9.0	10.3	358.2	-	358.2	
Revenue deductions	(110.9)	(14.6)	(30.9)	(14.7)	(171.1)	-	(171.1)	
Revenues from management services, net	898.2	105.9	148.0	121.1	1'273.2	7.0	1'280.2	
Other operating income	16.2	5.0	15.4	7.0	43.6	2.1	45.7	
Revenues and other operating income	914.4	110.9	163.4	128.1	1'316.8	9.1	1'325.9	
Personnel expenses	(81.0)	(26.3)	(26.6)	(29.1)	(163.0)	(213.5)	(376.5)	
Other operating expenses	(3.8)	(1.8)	(1.3)	(1.3)	(8.2)	(59.6)	(67.8)	
Gross segment result before depreciation and amortization	829.6	82.8	135.5	97.7	1'145.6	(264.0)	881.6	
Depreciation and amortization	-	-	-	-	-	(16.8)	(16.8)	
Gross segment result	829.6	82.8	135.5	97.7	1'145.6	(280.8)	864.8	
<i>Reconciliation to profit for the period:</i>								
Net finance income and expense							22.7	
Income tax expense							(118.2)	
Profit for the period							769.3	

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

In millions of Swiss francs	Operating segments					Unallocated	2017
	Private equity	Private debt	Private real estate	Private infrastructure	Total reportable segments		Total
Management fees and other revenues	605.4	101.1	137.9	133.5	977.9	1.0	978.9
Performance fees	296.1	7.2	9.0	71.5	383.8	-	383.8
Revenue deductions	(89.8)	(10.8)	(27.8)	(20.3)	(148.7)	-	(148.7)
Revenues from management services, net	811.7	97.5	119.1	184.7	1'213.0	1.0	1'214.0
Other operating income ¹⁾	7.2	6.6	7.4	6.5	27.7	3.2	30.9
Revenues and other operating income	818.9	104.1	126.5	191.2	1'240.7	4.2	1'244.9
Personnel expenses	(78.4)	(20.3)	(25.2)	(24.8)	(148.7)	(210.6)	(359.3)
Other operating expenses	(3.0)	(1.2)	(1.4)	(0.9)	(6.5)	(53.7)	(60.2)
Gross segment result before depreciation and amortization	737.5	82.6	99.9	165.5	1'085.5	(260.1)	825.4
Depreciation and amortization	-	-	-	-	-	(14.0)	(14.0)
Gross segment result	737.5	82.6	99.9	165.5	1'085.5	(274.1)	811.4
<i>Reconciliation to profit for the period:</i>							
Net finance income and expense							35.7
Income tax expense							(94.8)
Profit for the period							752.3

¹⁾ This includes the share of results of associates, previously disclosed separately.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

Geographical information

The operating segments are managed on a worldwide basis with Switzerland as the headquarters. Local offices ensure access to worldwide markets and investment opportunities. Investment advisory services are primarily provided out of Switzerland, whereas Guernsey, North America and UK/Luxembourg serve as the Group's main fund hubs. In presenting information on the basis of geographical operating segments, operating segment revenue is based on the geographical location where the respective revenues are accounted for; i.e. in the location in which the revenues are shown in the Group entities' financial statements.

In millions of Swiss francs	Revenues from management services, net	
	2018	2017
Switzerland	408.2	514.2
Guernsey	394.9	319.0
North America	222.8	166.1
Other European countries	120.3	98.7
Rest of world	134.0	116.0
Total revenues from management services, net	1'280.2	1'214.0

In 2018 and 2017, no direct counterparty of the Group contributed more than 10% to the Group's revenues from management services, net.

4. Remuneration

4.1. Personnel expenses

In millions of Swiss francs	Note	2018	2017
Salaries and cash bonus		(197.9)	(214.4)
Share-based payment expenses	4.2.	(46.6)	(31.6)
Other long-term benefits (management carry program)		(87.5)	(74.3)
Retirement schemes - defined contribution plans		(12.4)	(10.7)
Retirement schemes - defined benefit plans	4.5.2.	(2.9)	(1.7)
Other social security expenses		(14.3)	(14.2)
Sundry personnel expenses		(14.9)	(12.4)
Total personnel expenses		(376.5)	(359.3)

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

4.2. Share-based payment expenses

The Group recognized the following expenses for grants in 2018, as well as in previous periods:

In millions of Swiss francs	Note	2018	2017
Grants 2012 (options and non-vested shares)		-	(0.1)
Grants 2013 (options and non-vested shares)		(0.2)	(0.7)
Grants 2014 (options and non-vested shares)		(0.8)	(1.8)
Grants 2015 (options and non-vested shares)		(2.1)	(3.7)
Grants 2016 (options and non-vested shares)		(4.6)	(8.5)
Grants 2017 (options and non-vested shares)		(10.2)	(10.7)
Grants 2018 (options and non-vested shares)	4.3.1.	(14.8)	-
Share grants at start of employment	4.4.	(2.0)	(1.3)
Total options and non-vested shares		(34.7)	(26.8)
Grants 2017 (MPP)		(4.8)	(4.8)
Grants 2018 (MPP)	4.3.2.	(7.1)	-
Total share-based payment expenses¹⁾		(46.6)	(31.6)

¹⁾ Share-based payment expenses for non-executive members of the BoD of CHF 0.6 million (2017: CHF 0.8 million) are disclosed as a part of consulting expenses (see note 10).

The average number of employees in 2018 was 1'120 (2017: 979), which is equivalent to an average of 1'110 full-time employees (2017: 970).

4.3. Options, non-vested shares and Management Performance Plan

The Group has a long history of granting equity incentives to its employees. These are awarded at year-end through options, shares and the Management Performance Plan ("MPP").

4.3.1. Non-vested shares and options

The Employee Participation Plan ("EPP") aims to align employee interests with those of external shareholders. The 2018 plan was a shares-only plan for the Group's employees and its allocation to departments, teams and individuals depends on their performance and contribution to the overall achievement of the firm's goals during the period.

Since 2012, EPPs have followed a linear vesting model, with proportionate annual vesting over a three- or five-year period following the awards, depending on the rank of the employee and contingent upon the employee remaining with the Group during the respective service period.

In 2015, the Group implemented a management incentive plan ("MIP"). The vesting of this long-term option-only plan for senior management follows a five-year (50% of grant) and six-year (50% of grant) cliff-vesting model.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

Number and weighted average exercise price

The number and weighted average exercise price of share options and non-vested shares developed as follows:

	Weighted average exercise price (in CHF)	Number of instruments	Weighted average exercise price (in CHF)	Number of instruments
	2018	2018	2017	2017
Outstanding as of 1 January	512.45	1'360'808	371.27	1'194'619
Forfeited during the period	27.73	(10'671)	90.30	(20'302)
Exercised during the period	126.83	(142'488)	136.16	(214'670)
Granted during the period - options	960.09	216'989	805.50	353'678
Granted during the period - shares	-	59'504	-	47'483
Outstanding as of 31 December	597.86	1'484'142	512.45	1'360'808
Exercisable as of 31 December		202'067		254'567

Of the outstanding 1'484'142 options and non-vested shares (31 December 2017: 1'360'808), 202'067 options are exercisable immediately (31 December 2017: 254'567). All other options and non-vested shares are restricted until at least 21 November 2019.

The outstanding instruments are split by strike price and grant year as follows:

Numbers of instruments outstanding				
Grant year	Strike price in CHF	31 December 2018	31 December 2017	
Options granted in 2008	100.00	-	8'700	
Options granted in 2009	150.00	13'105	18'037	
Options granted in 2010 and 1.1.2011	209.00	24'358	33'857	
Options granted in 2011	195.00	19'813	27'218	
Options granted in 2012	236.00	55'411	86'997	
Options granted in 2013 and 8.1.2014	270.00	89'380	111'139	
Options granted in 2014	324.00	8'344	8'344	
Options granted in 2015	340.00	1'418	1'418	
Options granted in 2015	450.00	174'000	174'000	
Options granted in 2015	446.00	6'127	6'127	
Options granted in 2016	682.00	375'000	375'000	
Options granted in 2016	593.00	10'110	10'110	
Options granted in 2017	805.00	318'600	318'600	
Options granted in 2017	810.00	35'078	35'078	
Options granted in 2018	975.00	198'500	-	
Options granted in 2018	800.00	18'489	-	
Non-vested shares granted from 2013 to 2018	-	136'409	146'183	
Total instruments outstanding		1'484'142	1'360'808	

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

The estimated fair value of options granted, and the underlying fair value of services, is based on the Black-Scholes model, whereas the fair value of the non-vested shares granted is based on the share price at the date of grant.

Fair value of share options and shares granted in 2018, and related assumptions:

	Vested shares	Non-vested options ¹⁾	Non-vested options	Non-vested options ²⁾	Vested options	Non-vested shares	Non-vested shares
Date of grant	21.3.18	26.9.18	26.9.18	26.9.18	29.11.18	29.11.18	29.11.18
Fair value per option/non-vested share at measurement date (in CHF)	676.00	20.29	20.29		33.81	668.50	668.50
Share price (in CHF)	676.00	779.50	779.50		668.50	668.50	668.50
Exercise price (in CHF)		975.00	975.00		800.00		
Vesting conditions		5 years	5 years	6 years	none	3 years ³⁾	5 years ³⁾
Expected volatility		17.59%	17.59%		21.15%		
Expected term of execution		5 years	5 years	6 years	5 years		
Expected dividend ratio		4.00%	4.00%		4.00%		
Risk-free interest rate (based on Swap rates)		(0.35%)	(0.35%)		(0.53%)		
Total options/shares granted	4'359	127'500	71'000		18'489	21'414	33'731
Total value granted in 2018 (in millions of CHF)	2.9	2.6	1.4	1.6	0.6	14.3	22.5
Gross amount recognized in profit or loss (in millions of CHF)	2.9	0.4	0.2	0.2	0.6	5.2	6.5
Forfeitures during 2018 (in millions of CHF)						(0.1)	(0.1)
Net amount recognized in profit or loss (in millions of CHF)	2.9	0.4	0.2	0.2	0.6	5.1	6.4
Total amount recognized in profit or loss (in millions of CHF)							15.8
- recognized in personnel expenses related to the grant 2018 (in millions of CHF)							14.8
- recognized in consulting expenses related to the grant 2018 (in millions of CHF)							0.6
- recognized in personnel expenses related to the grant 2017 ¹⁾ (in millions of CHF)							0.4

¹⁾ Under the 27 September 2017 option plan, the Group granted equity incentives with a fair value of CHF 5.1 million. The amount is allocated to the participants in two tranches, the first half in September 2017 and the second half in September 2018. As both parties have a common understanding of the terms and conditions and participants have begun rendering services in respect of both tranches, the Group recognizes expenses for both tranches beginning in 2017.

²⁾ Under the 26 September 2018 option plan, the Group granted equity incentives with a fair value of CHF 3.0 million. The amount is allocated to the participants in two tranches, the first half in September 2018 and the second half in September 2019. As both parties have a common understanding of the terms and conditions and participants have begun rendering services in respect of both tranches, the Group recognizes expenses for both tranches beginning in 2018.

³⁾ Linear vesting model, with proportionate annual vesting.

The applied expected volatility is determined using an average volatility that is calculated based on the average of the historic five-year volatility of the Company's stock and the longest available future implied volatility for the Company's shares/options in the market.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

4.3.2. Management Performance Plan

In 2017, Partners Group revised its dedicated performance fee-related compensation program and introduced the MPP for Executive Committee members and non-independent Board members. The MPP ensures an alignment of interests with shareholders and clients. It is dependent on the share price development over a five-year horizon. It measures the absolute performance of the share price of the Company but also puts equal weight on the outperformance against an industry benchmark (S&P Listed Private Equity Index). Five years after the grant date, MPP rights will be measured based on absolute performance of the share price and its outperformance over the benchmark index. Once the value of the MPP rights is determined, its payout is dependent on the achievement of a performance fee target, which ultimately derives from active value generation, and the realization of investment opportunities in underlying client portfolios. Depending on the investment outcomes and timing of the investment realizations, it often takes up to 14 years until the full payout of performance fees is received. Any payout will be in the form of restricted shares equal to the value of the respective payout.

Vesting parameters

The MPP grants vest linearly over a period of five years. The linear vesting is subject to a minimum five-year tenure in the respective committee. Before that, it has a five-year cliff vesting attached. Any holder of unvested MPP rights leaving the Group has the obligation to render his or her unvested interest back to the Company.

Valuation

In accordance with the option-like characteristics of the MPP, the grant date fair value is calculated in a similar way to the valuation of a combination of call options (based on the Black-Scholes model) and exchange options (total return on PGHN and the S&P Listed Private Equity Index based on Margrabe's formula).

Fair value of MPP granted in 2018, and related assumptions:

	Absolute basis	Relative basis
Date of grant	29.11.18	29.11.18
Share price (in CHF)	668.50	668.50
Exercise price/normalized index price (in CHF)	668.50	668.50
Correlation	n/a	0.66
Vesting conditions	5 years ¹⁾	5 years ¹⁾
Expected volatility	21.15%	21.15%
Expected volatility index	n/a	18.59%
Expected term of execution	5 years	5 years
Expected dividend ratio	4.00%	0.00%
Expected dividend ratio index	n/a	0.00%
Risk-free interest rate (based on Swap rates)	(0.53%)	n/a
Total fair value granted in 2018 (in millions of CHF)	12.3	12.3
Amount recognized in profit or loss (in millions of CHF)	3.6	3.6
Total amount recognized in profit or loss (in millions of CHF)		7.1

¹⁾ Linear vesting model, with proportionate annual vesting every year.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

4.4. Entry shares

In 2018, the Group further granted 3'016 (2017: 2'290) shares to employees of the Group that commenced employment with the Group during the year. These shares are subject to a vesting period of one year. In addition, the shares are subject to a maximum five-year selling restriction, which is shortened if the employee resigns from the Group before the end of the restriction period.

4.5. Employee benefits

In millions of Swiss francs	31 December 2018	31 December 2017
Defined benefit plan	(0.4)	1.2
Accrued variable compensation (cash bonus)	(145.2)	(148.4)
Management Carry Plan	(125.2)	(88.8)
Other employee benefit liabilities	(9.3)	(7.4)
Total net employee benefit liabilities	(280.1)	(243.4)
Non-current assets	-	1.2
Current liabilities	(121.9)	(127.9)
Non-current liabilities	(158.2)	(116.7)
Balance as of 31 December	(280.1)	(243.4)

The Group has reviewed the presentation of its employee benefit liabilities. To improve the disclosures of the financial statements, various line items have been re-presented to make the information and disclosures more understandable:

- Accrued remuneration costs, previously disclosed as a part of trade and other payables, is now disclosed as accrued variable compensation (2017: CHF 69.4 million) and other employee benefit liabilities (2017: CHF 2.6 million).
- Management Carry Plan ("MCP") liabilities (2017: CHF 88.8 million) and other provisions (2017: CHF 4.8 million), previously presented as a part of provisions, are now disclosed as Management Carry Plan and other employee benefit liabilities, respectively.
- In the employee benefits section, the line item previously disclosed as performance-related compensation is now disclosed as accrued variable compensation.

Prior year numbers in the consolidated balance sheet and in the consolidated statement of cash flows are re-presented accordingly.

4.5.1. Performance fee related compensation

Each year, the Nomination & Compensation Committee ("NCC") allocates up to 40% of recognized performance fees to the Performance Fee Compensation Pool which is then distributed to an eligible group of employees.

The promise represents a constructive obligation towards the eligible group of employees. The pool is allocated to the individual employees via the MCP with the remainder, i.e. the difference between the Performance Fee Compensation Pool and the MCP allocation, being allocated via the Performance Fee Bonus Pool.

In 2018, performance fees recognized in the consolidated income statement amounted to CHF 323.7 million (2017: CHF 372.1 million), of which CHF 93.0 million (2017: CHF 79.0 million) were allocated via the MCP allocation (including social securities) and CHF 36.5 million (2017: CHF 69.9 million) via the Performance Fee Bonus Pool allocation. The Group expects for 2019 a total payout of CHF 82.1 million (2018: CHF 90.9 million) for both schemes.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

(a) Management Carry Plan allocation

In 2010, the Group introduced the MCP as allocation key on the basis of discretionary annual grants. A portion of the performance fees recognized from investments made during a relevant investment period is allocated to the broader management teams. The grants are only paid out to the eligible employees once the performance fees are collected by the Group. If employees leave before a minimum five-year employment period after the MCP grant, bonus allocations will be reduced proportionally to this employment period.

Performance fees depend on the performance attributable to investments made. The Group recognizes expenses related to the MCP in personnel expenses when the payment of the related performance fees becomes sufficiently visible. This is in the period in which performance fees are recognized in the consolidated income statement, which is generally before the effective collection of such performance fees. Until the cash amount is paid to eligible employees, the corresponding liabilities are recognized as employee benefit liabilities. The part of the liabilities that is not expected to be settled wholly before twelve months after the end of the reporting period is presented as non-current liabilities.

(b) Performance Fee Bonus Pool allocation

The Performance Fee Bonus Pool, i.e. the difference between the Performance Fee Compensation Pool and the MCP allocation, is distributed among the broader management teams based on their contribution to performance. The part of the Performance Fee Bonus Pool that is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services is presented as non-current.

4.5.2. Defined benefit plan

The pension plan for Swiss employees ("the Pension Fund") is a defined benefit plan. The Pension Fund provides benefits for retirement, disability and surviving dependents that meet or exceed the minimum benefits required under the Federal Law on Occupational Retirement, Survivors' and Disability Insurance ("BVG"), including the legal coordination charge, which is also insured. The monthly premium to fund the Pension Fund's benefits is split equally between employer and employees. Contributions, which vary by the age of the employees from 6-13% of the covered salary, are credited to the employees' individual retirement savings accounts. The Pension Fund is responsible for capital investments and pursues an investment strategy with a prescribed investment policy. The Group assumes an average retirement age of 62 (female) and 63 (male), respectively. Upon retiring (including early and partial retirement), insured persons are entitled to a lifelong retirement pension if employees do not choose to withdraw the entire balance, or portion thereof, of their individual retirement savings accounts in the form of a capital payment.

The Pension Fund is administered by Gemini Sammelstiftung, Zurich/Switzerland, which is legally separate from the Group and is governed by a foundation board. In addition, there is a pension fund commission comprised of two employee and two employer representatives. The duties of the foundation board, as well as the pension fund commission, are laid out in the BVG and the specific pension fund rules. They are required by law to act in the best interest of the participants and are responsible for setting certain policies (e.g. investment, contribution and indexation policies) for the Pension Fund. At least four times a year, the foundation board, as well as the pension fund commission, meet to analyze consequences and decide on adjustments in the investment strategy.

Pursuant to the BVG, additional employer and employee contributions may be imposed whenever a significant funding deficit in accordance with the BVG arises. In addition to investment risk, the Pension Fund is exposed to actuarial risk as well as longevity risk, currency risk and interest rate risk.

In addition to the pension plan for Swiss employees, a defined benefit plan for Swiss management also provides retirement benefits and risk insurance for death and disability for components of remuneration in excess of the maximum insurable amount of salary under the plan described above.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

Development of defined benefit asset/(obligation)

In millions of Swiss francs	2018	2017
Present value of benefit obligation as of 1 January	(61.6)	(56.6)
<i>Included in profit or loss:</i>		
Current service cost (employer)	(2.9)	(2.8)
Interest expense on benefit obligation	(0.4)	(0.3)
<i>Included in other comprehensive income:</i>		
Actuarial gains/(losses) on benefit obligation arising from:		
- change in financial assumptions	-	1.0
- experience gains/(losses)	(0.7)	(1.7)
<i>Other:</i>		
Employee contributions	(2.6)	(2.3)
Benefit payments	(0.6)	(0.1)
Plan amendment	-	1.2
Present value of benefit obligation as of 31 December	(68.8)	(61.6)
Fair value of plan assets as of 1 January	62.8	54.4
<i>Included in profit or loss:</i>		
Interest income on plan assets	0.5	0.3
Administration cost	(0.1)	(0.1)
<i>Included in other comprehensive income:</i>		
Return on plan assets (excl. interest income)	(0.6)	3.5
<i>Other:</i>		
Employer contributions	2.6	2.3
Employee contributions	2.6	2.3
Benefit payments	0.6	0.1
Fair value of plan assets as of 31 December	68.4	62.8
Net defined benefit asset/(obligation) as of 31 December	(0.4)	1.2

The weighted average duration of the net defined benefit obligation is 15.6 years as of 31 December 2018 (2017: 15.5 years).

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

Asset allocation as of 31 December

	2018	2017
Cash	9.2%	9.3%
Public debt	10.6%	13.8%
Public equity	27.6%	24.6%
Private markets	37.7%	29.3%
Alternatives/other	14.9%	23.0%
Total	100.0%	100.0%

Principal actuarial assumptions

The calculation of the net defined benefit asset/(obligation) included the following principal actuarial assumptions:

Principal actuarial assumptions as of 31 December	2018	2017
Discount rate	0.70%	0.70%
Expected net return on plan assets	0.70%	0.70%
Interest rate on retirement credits	1.00%	1.00%
Average future salary increases	1.50%	1.50%
Future pension increases	0.00%	0.00%
Mortality tables used	BVG 2015 (GT)	BVG 2015 (GT)

Sensitivity analysis

Reasonably possible changes as of the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the net defined benefit asset/(obligation) by the amounts presented below:

In millions of Swiss francs	Impact on defined benefit obligation	Impact on current service cost (employer)
Decrease of discount rate (-0.5%)	(5.9)	(0.5)
Increase of discount rate (+0.5%)	5.1	0.4
Decrease of salary increase (-0.5%)	0.8	0.1
Increase of salary increase (+0.5%)	(0.9)	(0.1)

Although the analysis above does not take into account the full distribution of expected cash flows under the defined benefit plan, it does provide an approximation of the sensitivity of the assumptions presented.

The expected employer contributions in 2019 are estimated to be CHF 2.6 million.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

5. Investments held by the Group, finance income and expense and financial risk management

5.1. Finance income and expense

In millions of Swiss francs	Note	2018	2017
Interest income calculated using the effective interest rate method		1.6	0.4
Net gains on fair value through profit or loss instruments	5.5.	38.5	42.7
Share of results of associates (Pearl)	6.	-	7.3
Total finance income		40.1	50.4
Interest expense calculated using the effective interest rate method		(4.3)	(1.8)
Net losses on marketable securities		-	(0.1)
Share of results of associates (Pearl)	6.	(3.8)	-
Other finance expense		(2.8)	(3.2)
Net exchange differences		(6.5)	(9.6)
Total finance expense		(17.4)	(14.7)
Total net finance income and (expense)		22.7	35.7

5.2. Other operating income

In millions of Swiss francs	Note	2018	2017
Compensation from short-term loans	5.3.4.	41.9	27.5
Share of results of associates (LGT)	6.	0.0	0.0
Other income		3.8	3.4
Total other operating income		45.7	30.9

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

5.3. Financial instruments

5.3.1. Financial instruments by category

The Group's financial assets can be classified into the respective categories as follows:

In millions of Swiss francs	Note	31 December 2018	31 December 2017
Financial assets			
Financial assets at amortized cost			
Cash and cash equivalents		412.2	852.3
Trade receivables ¹⁾	5.4.1.	158.8	216.4
Short-term loans	5.3.4.	1'113.4	713.4
Other receivables ¹⁾	5.4.1.	35.3	10.1
Cash collateral ¹⁾	5.4.1.	-	79.8
Accrued revenues ^{1) 2)}	5.4.1.	201.5	75.3
Other financial assets	5.3.5.	166.7	64.0
		2'087.9	2'011.3
Financial assets at fair value through profit or loss			
<i>Mandatorily measured at FVTPL</i>			
Marketable securities	5.4.1.	0.0	0.0
Financial investments	5.3.2.	554.0	451.8
Assets held for sale	5.3.3.	91.0	260.8
Derivative assets held for risk management ¹⁾	5.4.1.	8.2	3.3
		653.2	715.9
Total financial assets		2'741.1	2'727.2

¹⁾ Presented in the line item trade and other receivables in the consolidated balance sheet.

²⁾ Comparative amounts have been re-presented. For further information, see note 19.1.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

The Group's financial liabilities can be classified into the respective categories as follows:

In millions of Swiss francs	Note	31 December 2018	31 December 2017
Financial liabilities			
Financial liabilities at amortized cost			
Trade payables ¹⁾	7.	71.6	108.2
Cash collateral ¹⁾	7.	0.3	66.5
Long-term debt	13.	299.4	299.2
Other long-term liabilities	5.4.3.	27.8	1.1
		399.1	475.0
Financial liabilities at fair value through profit or loss			
<i>Mandatorily measured at FVTPL</i>			
Liabilities held for sale	5.3.3.	54.1	155.1
Derivative liabilities held for risk management ¹⁾	7.	0.1	5.9
Other long-term liabilities	5.4.3.	0.8	1.0
		55.0	162.0
Total financial liabilities		454.1	637.0

¹⁾ Presented in the line item trade and other payables in the consolidated balance sheet.

5.3.2. Financial investments

The Group holds investments in various investment programs that it manages. These investments typically account for a stake of one percent in an investment program. Within the investment programs, the Group typically performs investment management activities for the benefit of external investors under a predetermined investment policy and receives a predetermined management fee and, where applicable, a performance fee for its services presented as revenues from management services in the consolidated income statement.

In millions of Swiss francs	31 December 2018	31 December 2017
Balance as of 1 January	451.8	359.2
Additions	108.9	125.1
Distributions/disposals	(72.9)	(93.4)
Transfers from assets and liabilities held for sale	45.1	6.9
Change in fair value of investments held at period end	35.2	37.6
Change in fair value of investments disposed/liquidated during the period	0.1	-
Exchange differences	(14.2)	16.4
Balance as of end of period	554.0	451.8

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

As of the relevant balance sheet date, the Group held the following investments in investment programs, split into the following operating segments:

In millions of Swiss francs	Note	31 December 2018	31 December 2017
Private equity	5.4.2.	272.8	214.1
Private debt	5.4.2.	184.2	146.5
Private real estate	5.4.2.	51.7	51.2
Private infrastructure	5.4.2.	45.3	40.0
Total financial investments		554.0	451.8

5.3.3. Assets and liabilities held for sale

The Group provides seed financing to certain early stage investment programs managed by the Group. The decision to provide seed financing to an investment program is made by responsible bodies defined in the Group's Rules of the Organization and of Operations ("ROO"). These investment programs typically call the seed financing to invest in assets that are comparable to the Group's investments in investment programs that it manages (see note 5.3.2.). Therefore, the underlying assets of these investment programs are typically financial assets valued at the adjusted net asset values.

Assets and liabilities of four (2017: five) such investment programs are classified and presented as assets and liabilities held for sale. The assets and liabilities held for sale as of 31 December 2018 are comprised of private equity, private real estate and private debt related assets and liabilities:

In millions of Swiss francs	31 December 2018	31 December 2017
Assets held for sale	91.0	260.8
Liabilities held for sale	(54.1)	(155.1)
Assets and liabilities held for sale, net	36.9	105.7

5.3.4. Short-term loans

Short-term loans of CHF 1'113.4 million (2017: CHF 713.4 million) relate to loans granted to various investment programs managed by the Group and typically have an expected repayment date within the next twelve months. The Group considers granting short-term loans as part of its maintenance of investment programs and, hence, as part of its operating activities. The Group received in 2018 an at arm's length compensation of CHF 41.9 million (2017: CHF 27.5 million) for these activities.

As of 31 December 2018, no short-term loans are past due or impaired (31 December 2017: none). There have been no losses in the past and the loans are fully collateralized by the underlying investments and any unfunded capital commitments.

5.3.5. Other financial assets

The increase in other financial assets to CHF 166.7 million (2017: CHF 64.0 million) mainly resulted from recognized performance fees which are not expected to be settled within twelve months.

In millions of Swiss francs	31 December 2018	31 December 2017
Long-term accrued revenues	134.2	56.3
Long-term loans	31.5	4.4
Other	1.0	3.3
Total other financial assets	166.7	64.0

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

5.3.6. Capital commitments

As of 31 December 2018, the Group had capital commitment contracts of CHF 638.3 million (2017: CHF 595.2 million), of which CHF 212.8 million (2017: CHF 215.0 million) were not yet called by the relevant investment manager. Capital commitments are called over time, typically between one to five years following the subscription of the commitment. Capital commitments are not considered to be a financial liability as the commitments do not constitute any obligation to pay cash until the capital is called.

5.4. Financial risk management

The Group has exposure to the following risks arising from its holding of financial instruments:

- credit risk;
- market risk (including currency risk, interest rate risk and price risk); and
- liquidity risk.

This note presents information about the Group's exposure to each of the above listed risks, the Group's objectives, policies and processes for measuring and managing these risks, and the Group's management of capital. Further quantitative disclosures are included throughout the consolidated financial statements.

The BoD has overall responsibility for the establishment and oversight of the Group's risk management framework. The BoD has established the Risk & Audit Committee ("RAC"), which is responsible for developing and monitoring the Group's risk management policies. The RAC reports regularly to the BoD on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and in the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The RAC oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The RAC is assisted in its oversight role by the Chief Risk Officer as well as by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the RAC.

5.4.1. Credit risk

The following sections present the Group's exposure to credit risk and how it is managed by the Group. Credit risk is the risk of financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligations and typically arises from the Group's receivables from customers and investment securities. The carrying amount of financial assets represents the maximum credit exposure.

(a) Trade and other receivables

In millions of Swiss francs	31 December 2018	31 December 2017
Marketable securities	0.0	0.0
Trade receivables	158.8	216.4
Other receivables	35.3	10.1
Cash collateral	-	79.8
Accrued revenues	201.5	75.3
Derivative assets held for risk management	8.2	3.3
Total trade and other receivables	403.8	384.9

The increase in trade and other receivables mainly resulted from recognized but not yet invoiced performance fees.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

The Group's exposure to credit risk is primarily influenced by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on the Group's exposure to credit risk. The majority of customers are investment programs that are managed by the Group. The credit risk related to trade and other receivables with such customers can be considered minimal as they are collateralized against unfunded client commitments. These commitments can be drawn upon to repay receivables and are backed by high-quality clients (e.g. pension funds). In addition, underlying assets in the investment programs serve as additional security. Other counterparties of the Group are typically regulated financial institutions or institutional investors with a high credit quality and, to a lesser extent, portfolio companies. The Group periodically reviews the client exposure and concentration. There is no substantial concentration of credit risk.

The Group has never suffered any material losses from its trade and other receivables and does not expect any material default risk based on the current structure of the relevant counterparties as well as the Group's assessment of the economic environment in the near future. The Group considers the probability of default to be very remote. As of the effective date of IFRS 9, the Group did not identify material expected credit losses. There has been no significant change in the assessment of the Group's credit risk related to trade and other receivables since the transition and the Group does not expect any material credit losses. No material expected credit losses have been identified as of 31 December 2018 (31 December 2017: none). As of the reporting date, no material receivables were overdue (31 December 2017: none). The Group will reassess the credit risk for trade and other receivables on a regular basis.

(b) Accrued revenues

Accrued revenues mainly include revenues from management services that have not yet been invoiced. The Group has never suffered any material losses and does not expect any material default risk related to accrued revenues. As of the effective date of IFRS 9, the Group did not identify any material expected credit losses. There has been no significant change in the assessment of the Group's credit risk related to accrued revenues since the effective date of IFRS 9 and the Group does not expect any material credit losses. No material expected credit losses have been identified as of 31 December 2018 (31 December 2017: none). The Group will reassess the credit risk for accrued revenues on a regular basis.

(c) Loans

The Group's loans are granted to various investment programs managed by the Group on behalf of its clients. These loans typically have a short-term nature with an expected repayment date within twelve months. The credit risk related to these loans can be considered minimal as they are collateralized against unfunded client commitments (or the clear visibility thereof), which can be drawn upon to repay related loans and which are backed by high-quality clients (e.g. pension funds). In addition, underlying assets in the investment programs serve as additional security. Granting of loans is subject to loan-to-value ratios. Nevertheless, and in order to control the credit risk resulting from loans to investment programs, the Group has established a system-based loan approval process. This process is supported by a risk policy framework and pre-defined approval authorities. During the loan approval process, rigorous qualitative and quantitative checks are applied to ensure the high quality of the Group's loan portfolio. The Group does not expect any significant default risk in this regard. Finally, the Group has individually assessed the probability of default per loan class, the loss given default and the exposure at default. Following the assessment, the Group has come to the conclusion that the probability of default can be considered very remote. No material expected credit losses were identified as of the effective date of IFRS 9. The Group reassesses the credit risk for short-term loans on a regular basis.

Long-term loans, if considered material, are individually assessed for impairment. For the years ended 31 December 2018 and 2017, no loans were past due or impaired. There has been no significant change in the assessment of the Group's credit risk related to loans since the effective date of IFRS 9 and the Group does not expect any material credit losses. No material expected credit losses have been identified as of 31 December 2018 (31 December 2017: none).

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(d) Other

The Group's other credit risks arise from cash and cash equivalents. The surplus cash is typically transferred to the Company for cash pooling (see note 5.4.3.). For bank deposits, typically, only independently rated parties with a minimum rating of "A-3" or equivalent are accepted (as per Standard and Poor's short-term issue credit ratings definitions). The Group has never suffered any impairment losses on cash and cash equivalents. Based on historic data and the Group's assessment of the potential exposure to credit risk in the near future, the Group did not expect any material credit losses on cash and cash equivalents in line with IFRS 9 as of the effective date of the new standard. There has been no significant change in the assessment of the Group's credit risk related to cash and cash equivalents since the effective date of IFRS 9 and the Group does not expect any material credit losses. No material expected credit losses have been identified as of 31 December 2018 (31 December 2017: none). The Group will reassess the credit risk for cash and cash equivalents on a regular basis.

5.4.2. Market risk

Market risk is the risk that changes in market prices - such as foreign currency exchange rates, interest rates and equity prices - will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns. The Group may buy and sell derivatives in order to manage certain market risks. All such transactions are carried out within the guidelines defined in the Rules of the Organization and of Operations as issued by the BoD.

(a) Currency risk

The Group is mainly exposed to transactional currency risk on receivables, payables, cash and cash equivalents as well as loans that are denominated in a currency other than the functional currency of the respective subsidiaries. The currency risk mainly results from exposures in Euros (EUR), US dollars (USD), British pounds (GBP) and Singapore dollars (SGD). In general, the Group economically hedges foreign exchange exposures related to third party assets and liabilities. As a consequence, the Group's net balance sheet currency risk is limited mainly to its intercompany receivables and payables.

(b) Interest rate risk

The Group's income and operating cash flows are substantially independent from changes in market interest rates. The Group is mainly exposed to cash flow interest rate risk with respect to its cash and cash equivalents held at banks, short-term loans (see note 5.3.4.) as well as other financial assets. Such cash flows are dependent on changes in short-term market interest rates. Due to this short-term nature and limited sensitivity, the Group does currently not actively manage its cash flow interest rate risk. At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

In millions of Swiss francs	2018	2017
Variable rate instruments		
Financial assets	412.2	932.1
Financial liabilities	(0.3)	(66.5)
	411.9	865.6
Fixed rate instruments		
Financial assets	1'145.7	720.6
Financial liabilities	(299.4)	(299.2)
	846.3	421.4

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for the previous period.

In millions of Swiss francs	Variable rate instruments	
	2018	2017
Profit or loss		
50 bp increase	2.1	4.3
50 bp decrease	(2.1)	(4.3)

Fair value sensitivity analysis for fixed rate instruments

The Group does not designate any fixed rate financial assets or liabilities as at fair value through profit or loss. Therefore, changes in interest rates would not affect profit or loss.

(c) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet at fair value through profit or loss. The majority of the Group's investments are entered into under investment management contracts whereby the Group invests alongside investors in private equity, private debt, private real estate or private infrastructure investment programs managed by the Group.

In assessing the price risk associated with the Group's investments, a volatility ratio was applied to each of its investments classified as marketable securities or financial investments. The Group used long-term data to determine the volatilities for each asset class.

In millions of Swiss francs	Carrying amount/volatility			
	2018	Volatility	2017	Volatility
Marketable securities (equity securities held for trading)	0.0	7%	0.0	7%
Financial investments:				
Private equity	272.8	18%	214.1	18%
Private debt	184.2	5%	146.5	5%
Private real estate	51.7	8%	51.2	8%
Private infrastructure	45.3	7%	40.0	7%
Assets and liabilities held for sale	36.9	6%	105.7	13%
Total	590.9		557.5	

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Based on the applied long-term volatility for the individual asset classes, the Group is exposed to the following equity price risk:

In millions of Swiss francs	Profit or loss	
	2018	2017
Marketable securities (equity securities held for trading)	0.0	0.0
Financial investments:		
Private equity	49.1	38.5
Private debt	9.2	7.3
Private real estate	4.1	4.1
Private infrastructure	2.9	2.8
Assets and liabilities held for sale	2.1	14.1
Total	67.4	66.8

5.4.3. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group's approach to managing liquidity is to ensure that it has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group's long-term contracts with clients mitigate its exposure to liquidity risk.

In order to assess the development of its liquidity, the Group uses a cash flow forecasting tool which is integrated in the budgeting and reporting process, and assists in monitoring cash flow requirements and optimizing its cash return on investments.

Cash flow forecasting is performed at group level. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses as well as the servicing of financial obligations, excluding the potential impact of extreme circumstances that cannot reasonably be predicted. Surplus cash held by the Group's subsidiaries, over and above the balance required for working capital management, is transferred to the Company to the extent permitted by regulatory and legal provisions. In addition, the BoD and the Executive Committee ("ExCo") monitor the liquidity available to the Group's balance sheet on a semi-annual basis. The available liquidity targeted should allow the Group to sustain its operations with minimal disruptions in a financial crisis scenario and/or a depressed economic environment. The Group holds its cash in current accounts or invests it in time deposits, money market deposits and marketable securities deemed to have appropriate maturities or sufficient liquidity to provide head-room as determined by the above mentioned forecasts. In addition, the Group maintains the following lines of credit:

- The Group has an unsecured credit facility of CHF 400 million with a syndicate of Swiss banks. This credit facility can be used for general corporate purposes with a primary focus on working capital financing. The facility is subject to covenants which were met throughout the current and prior year.
- An additional unsecured credit facility of CHF 30 million can be used for current account overdrafts or for fixed advances with a maturity of up to six months. The facility is subject to covenants which were met throughout the current and prior year.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

The following table discloses the financial liabilities with their contractual maturities:

In millions of Swiss francs	31 December 2018					
	Carrying amount	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Trade payables ¹⁾	71.6	71.6				
Derivative liabilities held for risk management ¹⁾	0.1	0.1				
Accrued revenue deductions ¹⁾	32.0		32.0			
Cash collateral ¹⁾	0.3	0.3				
Other payables ¹⁾	126.9	126.9				
Long-term debt	299.4					299.4
Other long-term liabilities ²⁾	28.6			8.2	20.4	
Unfunded commitments	212.8	212.8				
	771.7	411.7	32.0	8.2	20.4	299.4

¹⁾ Presented in the line item trade and other payables in the consolidated balance sheet.

²⁾ This line item includes long-term accrued liabilities related to the investment programs and other third parties.

In millions of Swiss francs	31 December 2017					
	Carrying amount	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Trade payables ¹⁾	108.2	108.2				
Derivative liabilities held for risk management ¹⁾	5.9	5.9				
Accrued revenue deductions ¹⁾	5.7		5.7			
Cash collateral ¹⁾	66.5	66.5				
Other payables ¹⁾	26.7	26.7				
Long-term debt	299.2					299.2
Other long-term liabilities ²⁾	2.1				2.1	
Unfunded commitments	215.0	215.0				
	729.3	422.3	5.7	-	2.1	299.2

¹⁾ Presented in the line item trade and other payables in the consolidated balance sheet.

²⁾ This line item includes long-term accrued liabilities related to the investment programs and other third parties.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

5.5. Fair value measurement

Introduction

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between knowledgeable market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access to at that date. The fair value of a liability reflects its non-performance risk. The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs - other than quoted prices included within level 1 - that are observable for assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for assets or liabilities that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table shows the fair value hierarchy of the Group's financial assets and liabilities that are measured at fair value:

In millions of Swiss francs	31 December 2018			
	Level 1	Level 2	Level 3	Total
Marketable securities	0.0			0.0
Derivative assets held for risk management ¹⁾		8.2		8.2
Assets held for sale			91.0	91.0
Financial investments			554.0	554.0
Financial assets	0.0	8.2	645.0	653.2
Derivative liabilities held for risk management ²⁾		0.1		0.1
Liabilities held for sale			54.1	54.1
Other long-term liabilities			0.8	0.8
Financial liabilities	-	0.1	54.9	55.0

¹⁾ Presented in the line item trade and other receivables in the consolidated balance sheet.

²⁾ Presented in the line item trade and other payables in the consolidated balance sheet.

In millions of Swiss francs	31 December 2017			
	Level 1	Level 2	Level 3	Total
Marketable securities	0.0			0.0
Derivative assets held for risk management ¹⁾		3.3		3.3
Assets held for sale			260.8	260.8
Financial investments			451.8	451.8
Financial assets	0.0	3.3	712.6	715.9
Derivative liabilities held for risk management ²⁾		5.9		5.9
Liabilities held for sale			155.1	155.1
Other long-term liabilities			1.0	1.0
Financial liabilities	-	5.9	156.1	162.0

¹⁾ Presented in the line item trade and other receivables in the consolidated balance sheet.

²⁾ Presented in the line item trade and other payables in the consolidated balance sheet.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

The carrying amount for cash and cash equivalents, trade and other receivables, short-term loans, and trade and other payables are expected to approximate the fair values given the short-term nature of these financial instruments. The carrying amounts for other financial assets are expected to approximate fair values since time values do not materially differ.

The following tables show the reconciliation of all level 3 financial instruments in 2018 and 2017:

In millions of Swiss francs	31 December 2018	
	Financial assets	Financial liabilities
Balance as of 1 January 2018	712.6	156.1
Purchases	160.3	44.7
Sales	(247.2)	(142.5)
Change in fair value ¹⁾	38.5	(0.1)
Exchange differences	(19.2)	(3.3)
Balance as of 31 December 2018	645.0	54.9

In millions of Swiss francs	31 December 2017	
	Financial assets	Financial liabilities
Balance as of 1 January 2017	546.8	87.9
Purchases	306.8	138.7
Sales	(210.8)	(78.3)
Change in fair value ¹⁾	42.7	0.2
Exchange differences	27.1	7.6
Balance as of 31 December 2017	712.6	156.1

¹⁾ Presented in the line item finance income and expense in the consolidated income statement.

There were no transfers between levels in 2018 and 2017.

Financial investments and assets and liabilities held for sale

Financial investments and assets and liabilities held for sale, disclosed as level 3 financial instruments, consist of investments in investment programs that the Group manages. The Group's investments typically account for a stake of one percent in an investment program. For these investments, the determination of fair value requires subjective assessment with varying degrees of judgment depending on liquidity, concentration, pricing assumptions, the current economic and competitive environment and the risks affecting the specific financial instrument. In such circumstances, valuation is determined based on management's judgment about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The Group applies control processes to ensure that the fair value of the financial instruments reported in the consolidated financial statements, including those derived from pricing models, are in accordance with IFRS 13 and determined on a reasonable basis.

Control processes include the review and approval of new investments made on behalf of investors. The Group has several investment committees. The investment selections and recommendations are made by the Specialized Investment Committees and the Global Investment Committee, supported by the Global Portfolio Committee. These committees decide whether or not new investments will be advised to the manager of the investment program. The controls also include reviews of profit and loss at regular intervals, risk monitoring and reviews of price verification procedures and models, which are used to estimate the fair value of financial instruments by senior management and personnel with relevant expertise who are independent of the trading and investment functions.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

Valuation techniques

Financial investments held by the Group consist of underlying assets and liabilities within investment programs. These investment programs are in turn invested in direct and indirect equity and debt investments. The following valuation techniques are applied by the Group to determine fair values of equity and debt investments in line with IFRS 13:

- market approach;
- income approach; and
- adjusted net asset value method.

Market approach

The market approach comprises valuation techniques such as market comparable companies and multiple techniques. A market comparable approach uses quoted market prices or dealer quotes for similar instruments to determine the fair value of a financial asset. A multiple approach can be used in the valuation of less liquid securities. Comparable companies and multiple techniques assume that the valuation of unquoted direct investments can be assessed by comparing performance measure multiples of similar quoted assets for which observable market prices are readily available. Comparable public companies based on industry, size, development stage, strategy, etc. have to be determined. Subsequently, the most appropriate performance measure for determining the valuation of the relevant direct investment is selected (these include but are not limited to EBITDA, price/earnings ratios for earnings or price/book ratios for book values). Trading multiples for each comparable company identified are calculated by dividing the value of the comparable company by the defined performance measure. The relevant trading multiples might be subject to adjustment for general qualitative differences such as liquidity, growth rate or quality of customer base between the valued direct investment and the comparable company set. The indicated fair value of the direct investment is determined by applying the relevant adjusted trading multiple to the identified performance measure of the valued company.

Income approach

Within the income approach, the Group primarily uses the discounted cash flow method and the capitalization model. Expected cash flow amounts are discounted to a present value at a rate of expected return that represents the time value of money and reflects the relative risks of the direct investment. Direct investments can be valued by using the “cash flow to equity” method, or indirectly, by deriving the enterprise value using the “cash flow to entity” method and subsequently subtracting the direct investment’s net debt in order to determine the equity value of the relevant direct investment. Expected future cash flows based on agreed investment terms or expected growth rates have to be determined. In addition, and based on the current market environment, an expected return of the respective direct investment is projected. The future cash flows are discounted to the present date in order to determine the current fair value.

Adjusted net asset value method

As a combination of the market and the income approach, the adjusted net asset value method is used. Indirect investments of investment programs managed by the Group are typically valued at the indirect investments’ net asset values last reported by the indirect investments’ general partners. When the reporting date of such net asset values does not coincide with the investment programs’ reporting date, the net asset values are adjusted as a result of cash flows to/from an indirect investment between the date of the most recently available net asset valuation and the end of the reporting period of the investment program, and further information gathered by the investment advisor during its on-going investment monitoring process. This monitoring process includes, but is not limited to, binding bid offers, non-public information on developments of portfolio companies held by indirect investments, syndicated transactions, which involve such companies, and the application of reporting standards by indirect investments which do not apply the principle of fair valuation.

Unobservable input factors

Where available, valuation techniques use market-observable assumptions and inputs. If such information is not available, inputs may be derived by reference to similar assets and active markets, from recent prices for comparable transactions or from other observable market data. When measuring fair value, the Group selects the non-market-observable inputs to be used in its valuation techniques based on a combination of historical experience, derivation of input levels based upon similar investment programs with observable price levels and knowledge of current market conditions and valuation approaches.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

Within its valuation techniques the Group typically uses different unobservable input factors. Significant unobservable inputs include: EBITDA multiples (based on budgeted/forward-looking EBITDA or historical EBITDA of the issuer and EBITDA multiples of comparable listed companies for an equivalent period), discount rates, capitalization rates, price/book as well as price/earnings ratios and enterprise value/sales multiples. The investment program also considers the original transaction prices, recent transactions in the same or similar instruments and completed third party transactions in comparable instruments, and adjusts the model as deemed necessary. Further inputs consist of external valuation appraisals and broker quotes. A significant portion of the investment programs' direct equity investments are measured using EBITDA multiples. EBITDA multiples used show wide ranges.

The value of level 3 direct equity investments valued by using unobservable input factors are directly affected by a change in that factor. The change in valuation of level 3 direct equity investments may vary between different direct investments of the same category as a result of individual levels of debt financing within such an investment. Level 3 direct debt investments are typically valued using either a comparable debt approach or a waterfall approach. The comparable debt approach arrives at the valuation of a direct debt investment by discounting its expected future cash flows to a present value with a benchmark rate derived from observable market data. The waterfall approach takes into account the different seniority levels of debt in arriving at the valuation. Thus, the effect of a change in the unobservable input factor on the valuation of such investments is limited to the debt portion not covered by the enterprise value resulting from the valuation.

Sensitivity of fair values

From a Group perspective, financial investments and assets and liabilities held for sale are typically valued at the adjusted net asset values of the investment programs. A reasonably possible change in the adjusted net asset value would have the following effects on the fair value of these investments held by the Group with changes to be recognized in profit or loss:

In millions of Swiss francs	31 December 2018	31 December 2017
Adjusted net asset value (1% increase)	5.9	5.6

Although the Group believes that its estimates of fair values are appropriate, the use of different methodologies and different unobservable inputs, especially in the underlying investments of investment programs, could lead to different measurements of fair value. Due to the broad range and number of unobservable input factors used in the valuation of the investment programs' direct investments, particularly concerning the EBITDA multiple, a sensitivity analysis on these underlying unobservable input factors does not result in meaningful outcomes.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

6. Investments in associates

The Group accounted for investments in associates as of 31 December 2018 as summarized below:

In millions of Swiss francs	Principal activity	Fair value	Carrying value	Ownership
Pearl Holding Limited, Guernsey ("Pearl")	Private equity investments	54.5	54.5	28%
LGT Private Equity Advisers, Liechtenstein ("LGT")	Asset management	0.5	0.5	40%
Total investments in associates			55.0	

In millions of Swiss francs	31 December 2018	31 December 2017
Balance as of 1 January	90.1	116.0
Redemption of shares (Pearl)	(28.0)	(42.9)
Share of results (Pearl)	(3.8)	7.3
Share of results (LGT)	0.0	0.0
Exchange differences	(3.3)	9.7
Balance as of end of period	55.0	90.1

Summary of financial information of the investments in associates - 100%:

In millions of Swiss francs	Pearl		LGT	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Total assets	196.9	319.4	1.9	7.1
Total liabilities	3.4	1.2	0.7	5.9
Equity	193.5	318.2	1.2	1.2
Revenues	7.7	45.5	2.9	9.6
Profit/(loss) for the period	(13.4)	26.1	0.0	0.0

The financial information is based on unaudited financial information as of the balance sheet date as received from LGT and Pearl.

Pearl Holding Limited

Pearl's investments are managed on a discretionary basis by Pearl Management Limited, Guernsey, which is advised by Partners Group AG, Switzerland ("PGAG"), in accordance with an investment advisory agreement. PGAG's duties are to provide asset allocation, commercial due diligence reviews, investment and divestment proposals and performance monitoring. For the described services, the Group is entitled to receive administration, management and performance fees.

Share of results of associates

The share of results of associates resulting from Pearl is disclosed in profit or loss as net finance income and expense (see note 5.1.), while the share of results of associates resulting from LGT (see note 5.2.) is disclosed as other operating income. The Group assesses LGT's results as comparable to management services and as a consequence discloses the results as operating income. Pearl's results are mainly driven by distributions and changes in fair value of the underlying investments, comparable to changes in fair value of financial investments (see note 5.3.2.), which are presented as net finance income and expense in the consolidated income statement (see note 5.1.).

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

7. Trade and other payables

In millions of Swiss francs	Note	31 December 2018	31 December 2017
Trade payables		71.6	108.2
Goods and services received not yet invoiced		3.6	2.6
Derivative liabilities held for risk management		0.1	5.9
Accrued revenue deductions		32.0	5.7
Cash collateral		0.3	66.5
Contractual obligation to purchase treasury shares	16.	110.0	-
Other payables		16.9	26.7
Total trade and other payables		234.5	215.6

8. Contingencies

The Group has contingent liabilities in respect of the ordinary course of business. It is not anticipated that any material liabilities will arise from such contingent liabilities.

9. Income tax

9.1. Income tax expense

9.1.1. Recognized in profit or loss

In millions of Swiss francs	Note	2018	2017
<i>Current tax expense:</i>			
Current year		122.8	100.2
Under/(over) provided in prior years		(0.0)	(3.2)
Total current tax expense		122.8	97.0
<i>Deferred tax expense/(income):</i>			
Deferred tax expense/(income), net relating to the origination and reversal of temporary differences	9.2.	(4.6)	(2.2)
Total deferred tax expense/(income)		(4.6)	(2.2)
Total income tax expense		118.2	94.8

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

9.1.2. Weighted average expected tax rate reconciliation

In millions of Swiss francs	2018	2017
Profit before tax	887.5	847.1
Weighted average expected Group tax rate	13.26%	10.77%
Expected tax expense	117.7	91.2
Non-tax-deductible expense and non-taxable income	0.7	(1.9)
Applicable tax rates differing from expected rate	(0.6)	(0.2)
Non-refundable withholding taxes	-	5.5
Changes in statutory applicable tax rate	-	3.8
Under/(over) provided in prior years	(0.0)	(3.2)
Other impacts	0.4	(0.4)
Total income tax expense	118.2	94.8

The Group calculated a weighted average tax rate, taking into account statutory tax rates of the Company and its subsidiaries in their specific jurisdictions, and their contribution to total profit before tax.

9.2. Deferred tax assets and liabilities

Development of deferred tax assets and liabilities

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following table shows the development of deferred tax assets and deferred tax liabilities.

In millions of Swiss francs	31 December 2018	31 December 2017
Deferred tax assets	23.6	24.7
Deferred tax liabilities	(2.5)	(2.9)
Deferred tax assets / (liabilities), net	21.1	21.8

In millions of Swiss francs	2018	2017
Balance as of 1 January, net	21.8	22.1
Changes recognized in profit or loss	4.6	2.2
Changes recognized in equity	(5.6)	(1.6)
Changes recognized in other comprehensive income	0.2	(0.4)
Exchange differences	0.1	(0.5)
Balance of deferred tax assets / (liabilities) as of 31 December, net	21.1	21.8

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

Analysis of deferred tax assets and liabilities

The following table shows the gross amounts of deferred tax assets and liabilities by category. Movements in the significant assets and liabilities classes giving rise to temporary differences are analyzed below:

In millions of Swiss francs							2018
	Financial investments	Other non-current assets	Defined benefit plan	Share-based payment expenses	Accrued variable compensation & MCP	Others	Total
Balance as of 1 January 2018, net	(0.5)	(2.2)	(0.2)	13.6	9.0	2.1	21.8
Changes recognized in profit or loss	0.2	(0.3)	0.1	4.0	2.3	(1.7)	4.6
Changes recognized in equity	-	-	-	(5.6)	-	-	(5.6)
Changes recognized in other comprehensive income	-	-	0.2	-	-	-	0.2
Exchange differences	0.0	0.0	-	0.1	0.0	0.0	0.1
Balance as of 31 December 2018, net	(0.3)	(2.5)	0.1	12.1	11.3	0.4	21.1

In millions of Swiss francs							2017
	Financial investments	Other non-current assets	Defined benefit plan	Share-based payment expenses	Accrued variable compensation & MCP	Others	Total
Balance as of 1 January 2017, net	0.6	(3.1)	0.3	13.8	9.2	1.3	22.1
Changes recognized in profit or loss	(1.1)	0.8	(0.1)	1.7	0.1	0.8	2.2
Changes recognized in equity	-	-	-	(1.6)	-	-	(1.6)
Changes recognized in other comprehensive income	-	-	(0.4)	-	-	-	(0.4)
Exchange differences	0.0	0.1	-	(0.3)	(0.3)	0.0	(0.5)
Balance as of 31 December 2017, net	(0.5)	(2.2)	(0.2)	13.6	9.0	2.1	21.8

Financial investments

Taxable temporary differences arise between the tax bases of financial investments and their carrying amounts (fair values with regard to the application of IFRS 9) in the consolidated financial statements.

Other non-current assets

Taxable temporary differences arise between the tax bases of property and equipment as well as intangible assets and their carrying amounts in the consolidated financial statements.

Defined benefit plan

The Group recognizes deferred tax assets or liabilities by applying IAS 19 (for further information see note 4.5.2.).

Share-based payment expenses

Taxable temporary differences arise (in accordance with IAS 12.68A) from the recognition of share-based payment expenses (see notes 4.2. and 4.3.) in the applicable accounting period in accordance with IFRS 2, but the tax deduction based on these expenses materializes in a different period; e.g. only when the options and shares are exercised or vested. Typically, the measurement of the tax deduction is based on the share price at the date of exercise or vesting.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

Accrued variable compensation & MCP

Taxable temporary differences arise between the tax bases of remuneration-related accruals and provisions and their carrying amounts in the consolidated financial statements.

10. Other operating expenses

In millions of Swiss francs	2018	2017
Consulting expenses	(14.3)	(11.4)
Rental expenses and maintenance costs	(14.2)	(13.4)
Administrative expenses	(22.1)	(20.2)
Travel and representation expenses	(17.2)	(15.2)
Total other operating expenses	(67.8)	(60.2)

11. Property and equipment

In millions of Swiss francs							2018
	Land	Buildings	Construction in progress	Office furniture	Interior fittings	Equipment and IT fittings	Total
Cost							
Balance as of 1 January 2018	7.0	5.9	4.8	6.6	21.4	11.2	56.9
Additions	-	-	39.6	0.9	2.2	1.2	43.9
Removals	-	-	-	(1.3)	(1.2)	(2.8)	(5.3)
Exchange differences	0.1	-	0.3	(0.1)	(0.2)	(0.1)	0.0
Balance as of 31 December 2018	7.1	5.9	44.7	6.1	22.2	9.5	95.5
Accumulated depreciation							
Balance as of 1 January 2018	-	1.2	-	4.5	14.7	8.5	28.9
Depreciation	-	0.2	-	0.7	2.3	1.4	4.6
Accumulated depreciation on removals	-	-	-	(1.3)	(1.2)	(2.8)	(5.3)
Exchange differences	-	-	-	(0.1)	(0.1)	(0.1)	(0.3)
Balance as of 31 December 2018	-	1.4	-	3.8	15.7	7.0	27.9
Carrying amount							
As of 1 January 2018	7.0	4.7	4.8	2.1	6.7	2.7	28.0
As of 31 December 2018	7.1	4.5	44.7	2.3	6.5	2.5	67.6
Impairment losses incurred in 2018							nil

Construction in progress reflects the costs for the Group's North American headquarters.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

In millions of Swiss francs							2017
	Land	Buildings	Construction in progress	Office furniture	Interior fittings	Equipment and IT fittings	Total
Cost							
Balance as of 1 January 2017	7.3	5.9	0.2	7.9	19.0	14.7	55.0
Additions	-	-	4.7	1.4	2.7	1.6	10.4
Removals	-	-	-	(2.7)	(0.4)	(5.3)	(8.4)
Exchange differences	(0.3)	-	(0.1)	0.0	0.1	0.2	(0.1)
Balance as of 31 December 2017	7.0	5.9	4.8	6.6	21.4	11.2	56.9
Accumulated depreciation							
Balance as of 1 January 2017	-	1.0	-	6.5	13.1	12.2	32.8
Depreciation	-	0.2	-	0.7	1.9	1.4	4.2
Accumulated depreciation on removals	-	-	-	(2.8)	(0.4)	(5.2)	(8.4)
Exchange differences	-	-	-	0.1	0.1	0.1	0.3
Balance as of 31 December 2017	-	1.2	-	4.5	14.7	8.5	28.9
Carrying amount							
As of 1 January 2017	7.3	4.9	0.2	1.4	5.9	2.5	22.2
As of 31 December 2017	7.0	4.7	4.8	2.1	6.7	2.7	28.0
Impairment losses incurred in 2017							nil

Operating leases (leases as a lessee)

Non-cancellable operating leases are payable as follows:

In millions of Swiss francs	31 December 2018	31 December 2017
Less than one year	10.8	8.0
Between one and five years	27.7	31.8
More than five years	0.3	1.2
Total non-cancellable operating leases	38.8	41.0

The Group classifies its office rental payments under operating leases. None of the leases include contingent rentals. During the current year, CHF 10.7 million was recognized as expenses in profit or loss in respect of operating leases (2017: CHF 10.6 million). The Group received payments of CHF 0.6 million (2017: CHF 0.7 million) from sublease agreements. The total expected future sub-lease payments from non-cancellable sub-leases as of 31 December 2018 are nil (2017: CHF 1.3 million).

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

12. Intangible assets

In millions of Swiss francs						2018
	Acquired client contracts	Goodwill	Software	Contract costs	Other intangible assets	Total
Cost						
Balance as of 1 January 2018	4.9	33.2	14.6	36.5	7.2	96.4
Additions	-	-	3.7	9.5	-	13.2
Removals	-	-	(0.1)	-	-	(0.1)
Exchange differences	(0.2)	(0.6)	-	(0.2)	-	(1.0)
Balance as of 31 December 2018	4.7	32.6	18.2	45.8	7.2	108.5
Accumulated amortization and impairment losses						
Balance as of 1 January 2018	4.5	-	9.6	15.2	5.6	34.9
Amortization	0.4	-	3.3	8.0	0.5	12.2
Accumulated amortization on removals	-	-	(0.1)	-	-	(0.1)
Exchange differences	(0.2)	-	-	(0.1)	-	(0.3)
Balance as of 31 December 2018	4.7	-	12.8	23.1	6.1	46.7
Carrying amount						
As of 1 January 2018	0.4	33.2	5.0	21.3	1.6	61.5
As of 31 December 2018	-	32.6	5.4	22.7	1.1	61.8
Impairment losses incurred in 2018						nil

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

In millions of Swiss francs						2017
	Acquired client contracts	Goodwill	Software	Contract costs	Other intangible assets	Total
Cost						
Balance as of 1 January 2017	4.7	33.2	10.2	21.4	6.1	75.6
Additions	-	-	4.4	15.2	1.1	20.7
Exchange differences	0.2	0.0	0.0	(0.1)	-	0.1
Balance as of 31 December 2017	4.9	33.2	14.6	36.5	7.2	96.4
Accumulated amortization and impairment losses						
Balance as of 1 January 2017	3.6	-	7.1	9.3	5.0	25.0
Amortization	0.8	-	2.5	5.9	0.6	9.8
Exchange differences	0.1	-	0.0	0.0	-	0.1
Balance as of 31 December 2017	4.5	-	9.6	15.2	5.6	34.9
Carrying amount						
As of 1 January 2017	1.1	33.2	3.1	12.1	1.1	50.6
As of 31 December 2017	0.4	33.2	5.0	21.3	1.6	61.5
Impairment losses incurred in 2017						nil

Impairment testing for CGU's containing goodwill

The carrying amount of goodwill as of 31 December 2018 (CHF 32.6 million; 2017: CHF 33.2 million) has been allocated to the following cash generating units ("CGU"), which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

- Goodwill of CHF 17.5 million (2017: CHF 17.3 million) relating to the acquisition of Partners Group Real Estate LLC ("PG RE") in 2007, which was merged into Partners Group (USA) Inc. as of 1 January 2012, has been allocated to the private real estate segment.
- Goodwill of CHF 15.1 million (2017: CHF 15.9 million) relating to the acquisition of Partners Group (Italy) SGR S.p.A. in 2013 ("PG Italy"), which was merged into Partners Group (UK) Limited, as of 1 January 2017, has been allocated to the private equity segment.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

The recoverable amounts of the private real estate and the private equity segments were based on their value in use. The value in use was determined by discounting the future cash flows from the continuing use of the CGUs and was based on the following key assumptions:

- Cash flows were projected based on the actual operating results and a five-year estimate (2019–2023). Cash flows for the time thereafter were taken into account by calculating a terminal value based on the discount factor applied by the Group. No growth rate was applied for the terminal value.
- Revenues were projected based on the development of the existing business, taking into account the generation of additional business in the years 2019 to 2023.
- Other operating expenses growth was considered at a constant rate of 10% p.a. (2017: 10% p.a.).
- Personnel expenses growth was considered at a constant rate of 5% p.a. (2017: 5% p.a.) plus additional personnel expenses for additional business revenues (i.e. 35% of additional revenues are expensed as additional personnel and general expenses (2017: 35%)).
- Pre-tax discount rates of 8.0% (PG RE; 2017: 8.9%) and 7.4% (PG Italy; 2017: 7.9%), respectively, were applied in determining the recoverable amounts of the CGU's. The Group applied market interest rates of 2.9% (PG RE; 2017: 2.4%) and 3.0% (PG Italy; 2017: 1.73%), adjusted by market risk premiums and industry weighted average beta factors.
- The impairment test resulted in a value in use higher than the carrying amount.

Management believes that any reasonably possible change in any of the key assumptions would not cause the carrying value of goodwill of the CGUs to exceed the recoverable amounts.

13. Long-term debt

In millions of Swiss francs	31 December 2018	31 December 2017
Balance as of 1 January	299.2	-
Issuance of long-term debts	-	299.2
Accreted interest	0.2	0.0
Balance as of end of period	299.4	299.2

The Group issued the following corporate bonds denominated in Swiss francs and listed on the SIX Swiss Exchange (ISIN: CH0361532895):

Date of issue	Face value in millions of CHF	Coupon in %	Year of maturity	Issue price in %	Redemption price in %
7 June 2017	300.0	0.150%	2024	100.052%	100.000%

The fair value of the corporate bonds as of 31 December 2018 was CHF 300.0 million (2017: CHF 298.9 million) and was determined by the quoted market price.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

14. Share capital, capital management and reserves

In effective number of shares	31 December 2018	31 December 2017
Issued as of 1 January	26'700'000	26'700'000
Issued during the period	-	-
Issued as of 31 December - fully paid in	26'700'000	26'700'000

The issued share capital of the Company comprises 26'700'000 registered shares (2017: 26'700'000) at CHF 0.01 nominal value each. The shareholders are entitled to receive dividends, as declared from time to time, and are entitled to one vote per share at shareholder meetings of the Company.

Legal reserves

Legal reserves comprise the reserves which are to be maintained due to the legal requirements as indicated in the Swiss Code of Obligations. The Group's legal reserves amount to CHF 218'100 as of 31 December 2018 (31 December 2017: CHF 218'100), consisting of CHF 217'100 (31 December 2017: CHF 217'100) for legal reserves from capital contributions and of CHF 1'000 (31 December 2017: CHF 1'000) for other legal reserves.

Treasury shares

Treasury shares are recognized at cost and presented separately within equity. At the balance sheet date, the Group held 207'805 (2017: 105'165) of the Company's issued shares. The Group holds treasury shares to provide for existing share and option programs.

Contractual obligation to purchase treasury shares

In 2018, the Company entered into an agreement to purchase some of its registered shares (see note 16.). As of 31 December 2018, the total notional amount of CHF 110.0 million is directly recognized in equity (31 December 2017: nil).

Translation reserves

Translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations included in the consolidation.

Dividends

The Company pays a dividend once per financial year following the approval of the appropriation of available earnings by the owners of the Company at the annual general meeting, typically held in May. The Company paid a dividend of CHF 19 per share on 16 May 2018 (17 May 2017: CHF 15). As the Company's treasury shares are not eligible for a dividend payment, the dividend distribution of CHF 507.3 million approved in May 2018 (May 2017: CHF 400.5 million) was not fully distributed, i.e. a total of CHF 506.3 million was paid out (May 2017: 397.4 million). After the balance sheet date, the BoD proposes a dividend distribution of CHF 587.4 million (CHF 22 per share) for 2018.

Capital management

The BoD's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The BoD also monitors the level of dividend distributions to shareholders.

The Group may purchase its own shares on the market within the limits defined by the BoD. The timing of these purchases depends on the market price and restrictions imposed by applicable laws. Primarily, these purchases are used in conjunction with the Group's share and option programs. Furthermore, the Company has authorized conditional capital of CHF 40'050. The BoD is authorized to increase the share capital by up to 15% at its discretion as a result of exercised options and granting of shares.

There were no changes in the Group's approach to capital management during the year. The Company and some of its subsidiaries are subject to minimum capital requirements prescribed by external parties (e.g. banks) and are regulated by relevant authorities in the corresponding countries. The capital requirements may depend on fixed costs, expenditures, key financial ratios, net assets and assets under management. All these capital requirements have been met during 2018 and 2017.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

Outstanding shares

The computation of the weighted average number of ordinary shares outstanding during the period is based on the following figures:

In effective number of shares		31 December 2018	
	Shares issued	Treasury shares	Shares outstanding
Balance as of 1 January 2018	26'700'000	105'165	26'594'835
Purchase of treasury shares		872'304	(872'304)
Disposal of treasury shares		(769'664)	769'664
Balance as of 31 December 2018	26'700'000	207'805	26'492'195
Weighted average number of shares outstanding during the period (360 days)			26'606'695
Shareholders above 5% (in % of shares issued)		Shares held	in %
Dr. Marcel Erni		2'673'659	10.01%
Alfred Gantner		2'673'659	10.01%
Urs Wietlisbach		2'673'659	10.01%
BlackRock Inc.		1'639'500	6.14%
In effective number of shares		31 December 2017	
	Shares issued	Treasury shares	Shares outstanding
Balance as of 1 January 2017	26'700'000	180'607	26'519'393
Purchase of treasury shares		271'421	(271'421)
Disposal of treasury shares		(346'863)	346'863
Balance as of 31 December 2017	26'700'000	105'165	26'594'835
Weighted average number of shares outstanding during the period (360 days)			26'517'721
Shareholders above 5% (in % of shares issued)		Shares held	in %
Dr. Marcel Erni		2'673'659	10.01%
Alfred Gantner		2'673'659	10.01%
Urs Wietlisbach		2'673'659	10.01%
BlackRock Inc.		1'639'500	6.14%

In 2015, the Group's founding partners, Dr. Marcel Erni, Alfred Gantner and Urs Wietlisbach, each entered into a derivative transaction with a third party concerning up to 4.1% of the Group's total share capital over the next five years. In 2017, each of the founding partners increased the percentage up to 5%. The transaction involves collars that expire on 17 June 2021, subject to early termination, including optional early termination by the three founding partners. This transaction was not entered into with any intent to change the size of the three founding partners' stakes in the Company during the period until maturity of the collars.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

15. Earnings per share

In Swiss francs	2018	2017
Average fair value of one ordinary share during the period	708.92	596.23
Weighted average exercise price for shares under option during the period	595.51	489.19

			2018	
	Note	Earnings per share	Profit for the period	Number of shares
Profit for the period (in millions of Swiss francs)			769.3	
Weighted average number of ordinary shares outstanding	14.			26'606'695
Basic earnings per share (in Swiss francs)		28.91		
Weighted average number of shares under option during the period				1'181'094
Number of shares that would have been issued at fair value ¹⁾				(937'813)
Diluted earnings per share (in Swiss francs)		28.65		26'849'976

¹⁾ Calculated on the basis of each individual share option grant.

			2017	
	Note	Earnings per share	Profit for the period	Number of shares
Profit for the period (in millions of Swiss francs)			752.3	
Weighted average number of ordinary shares outstanding	14.			26'517'721
Basic earnings per share (in Swiss francs)		28.37		
Weighted average number of shares under option during the period				1'006'222
Number of shares that would have been issued at fair value ¹⁾				(742'730)
Diluted earnings per share (in Swiss francs)		28.09		26'781'213

¹⁾ Calculated on the basis of each individual share option grant.

As of 31 December 2018, the Group had 1'484'142 options and non-vested shares outstanding (2017: 1'360'808) (see note 4.3.). The treasury shares necessary to cover the granted non-vested shares have already been placed in separate escrow accounts in the name of the employees. Thus, the number of treasury shares (see note 14.) is already net of non-vested shares outstanding.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

16. Related party transactions

The Group has related party relationships with its subsidiaries (see note 17.), investments in associates (see note 6.), pension funds (see note 4.5.2.), as well as with its management and significant shareholders and their related parties.

In 2018, associates purchased services from the Group in the amount of CHF 7.1 million (2017: CHF 9.8 million).

As of 31 December 2018, loans to related parties of the Group amounted to CHF 7.2 million (2017: CHF 3.5 million) and were included in other financial assets. The loans to related parties of the Group bear interest at market-related interest rates.

The Group purchased treasury shares at arm's length from its shareholders employed by the Group as follows:

In effective number of shares	2018	2017
Purchase of treasury shares from shareholders employed by the Group	5'499	11'578
Average purchase price per share (in Swiss francs)	714.63	561.57

In 2018, the Company entered into an agreement with an executive committee member to purchase some of its registered shares at arm's length. The maximum transaction value amounts to CHF 110 million, the maximum total number of securities amounts to 134'500 shares determined as follows:

- The share price is determined as the arithmetic average of the daily VWAPs (volume weighted average prices) of PGHN shares traded over the SIX Swiss Exchange during the period starting on 21 January 2019 and ending on 15 February 2019.
- If the resulting determined share price is below CHF 700 per share, the transaction will not take place.
- If the resulting determined share price is above CHF 818 per share, the number of shares purchased will decrease such that the total transaction value does not exceed CHF 110 million.

As the determined share price was below CHF 700 per share during the period starting on 21 January 2019 and ending on 15 February 2019, the transaction did not take place.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

The Group is managed by the BoD and the ExCo of the Company. The total personnel expenses for the BoD as well as the ExCo of the Company are included in personnel expenses (see note 4.1.) and for non-executive board members in consulting expenses (see note 10.) and amount to:

In millions of Swiss francs	2018	2017
BoD:		
Short-term employment benefits	2.4	2.8
Other compensation	0.2	0.1
Share-based payment expenses	3.1	2.0
Other long-term benefits (MCP)	6.2	6.3
Post-employment benefits	0.1	0.2
Total BoD	12.0	11.4
ExCo:		
Short-term employment benefits	8.2	14.2
Other compensation	0.2	0.4
Share-based payment expenses	10.7	5.4
Other long-term benefits (MCP)	10.2	18.1
Post-employment benefits	0.4	1.0
Total ExCo incl. former members	29.7	39.1
Total BoD and ExCo	41.7	50.5

At the relevant balance sheet date, the BoD and the ExCo were holding the following number of options, non-vested shares and shares:

Options and non-vested shares:

In effective number of options and non-vested shares	31 December 2018	31 December 2017
Board members (vested options)	82'675	68'201
Board members (non-vested options and shares)	2'025	3'079
Members of the ExCo (options and non-vested shares)	166'323	169'260
Total	251'023	240'540

Share ownership (unrestricted):

In effective number of shares	31 December 2018	31 December 2017
Board members	8'385'206	8'385'674
Members of the ExCo	647'379	654'922
Total	9'032'585	9'040'596

For further information in accordance with Art. 663c of the Swiss Code of Obligations, refer to note 14. of the entity accounts of Partners Group Holding AG.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

17. Subsidiaries

17.1. Changes in scope of consolidation

Incorporation of new Group entities

Name	Incorporation date	Principal activity
Partners Group (Canada) Inc., Canada	15 November 2018	Support the Group's investment activities in the region
Partners Group Advisors (DIFC) Limited, United Arab Emirates	8 July 2018	Support the Group's investment activities in the region
Partners Group Cayman Management IV Limited, Cayman Islands	29 March 2018	Serve as an investment manager
Partners Group Private Markets (Australia) Pty. Ltd., Australia	14 March 2018	Support the Group's investment activities in the region
Partners Group Japan Kabushiki Kaisha, Japan	14 December 2017	Support the Group's investment activities in the region
Partners Group US Management CLO LLC, Delaware (USA)	24 August 2017	Investment Manager for the Group's CLOs

17.2. Involvement with structured entities

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. Such entities often have restricted activities and narrow and well-defined objectives.

Consolidated structured entities

The Group provides seed financing to certain early stage investment programs that the Group manages. The decision to provide seed financing to an investment program is made by responsible bodies as defined in the Group's ROOs. For further details see note 5.3.3.

Unconsolidated structured entities

The fair value of financial investments, as presented in note 5.3.2., represents the Group's participation in unconsolidated investment programs.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

17.3. Subsidiaries

Details of the Group's operating subsidiaries as of the reporting date are set out below:

Name of the subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting rights held by the Group	
			31 December 2018	31 December 2017
Partners Group AG	Investment manager	Switzerland	100%	100%
Partners Group Corporate Finance AG	Corporate Finance	Switzerland	100%	100%
Partners Group Advisors (DIFC) Limited	Investment manager	UAE	100%	-
Partners Group Japan Kabushiki Kaisha	Investment manager	Japan	100%	100%
Partners Group Private Markets (Australia) Pty Ltd	Investment manager	Australia	100%	-
Partners Group Prime Services Solutions (Philippines), Inc.	Investment management services	Philippines	100%	100%
Partners Group (Brazil) Investimentos Ltda.	Investment manager	Brazil	100%	100%
Partners Group (Canada) Inc.	Investment manager	Canada	100%	-
Partners Group (Deutschland) GmbH	Investment manager	Germany	100%	100%
Partners Group (France) SAS	Investment manager	France	100%	100%
Partners Group (Guernsey) Limited	Investment manager	Guernsey	100%	100%
Partners Group (India) Private Limited	Investment manager	India	100%	100%
Partners Group (Luxembourg) S.A.	Investment manager	Luxembourg	100%	100%
Partners Group (Shanghai) Co., Ltd.	Investment manager	China	100%	100%
Partners Group (Singapore) Pte. Limited	Investment manager	Singapore	100%	100%
Partners Group (UK) Limited	Investment manager	UK	100%	100%
Partners Group (USA) Inc.	Investment manager	USA	100%	100%

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At the end of the reporting period, the Group had other subsidiaries that typically perform management services and/or typically hold financial investments (see note 5.3.2.). The principal activities and their place of operation are summarized as follows:

Principal activity	Place of incorporation and operation	Number of subsidiaries	
		31 December 2018	31 December 2017
General partner to investment programs	Guernsey	18	18
General partner to investment programs	Scotland	3	3
General partner to investment programs	Germany	1	1
General partner to investment programs	Cayman Islands	4	3
Manager to investment vehicles	USA	3	3
Holding of land and property	USA	1	1
Investment services	USA	1	1
Manager to investment vehicles	UK	1	1
Manager to investment programs	Luxembourg	3	3
Client access management	Guernsey	1	1
Financing/treasury	Guernsey	6	6
Management services to investment programs	Guernsey	3	3

18. Subsequent events

No events took place between 31 December 2018 and 6 March 2019 that would require material adjustments to the amounts recognized in these consolidated financial statements.

19. Summary of significant accounting policies

19.1. Basis of preparation

The consolidated financial statements are presented in Swiss francs, rounded to the nearest one hundred thousand. The figures referred to in text passages are actual figures either rounded to the nearest Swiss franc or presented in millions of Swiss francs unless otherwise stated. The statements are prepared on a historical cost basis, except for certain assets and liabilities which are stated at fair value, such as derivative financial instruments, assets and liabilities held for sale and financial instruments at fair value through profit or loss.

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, as well as income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments concerning carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or, in the period of the revisions and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are described in note 2.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

The RAC performed an assessment of the risks to which the Group is exposed to at its meeting on 7 March 2018. The risk assessment covers, in particular, strategic and business risks, operational risks, financial risks (see note 5.4.) as well as reputational risks. For its assessment, the RAC has taken into consideration the internal control system designed to monitor and reduce the risks of the Group.

Some line items in the consolidated income statement and the consolidated balance sheet have been aggregated and/or re-presented and some note disclosures have been improved to make the information and disclosure more understandable. Comparative amounts have been re-presented accordingly.

19.2. Changes in accounting policies

The accounting policies adopted for the year ended 31 December 2018 are consistent with those of the previous financial year, except where new or revised standards were adopted, as indicated below.

19.2.1. Standards, amendments and interpretations effective for the first time

The following standards have been applied for the first time:

IFRS 9, “Financial Instruments”

As of 1 January 2018, the Group applied IFRS 9 Financial Instruments. IFRS 9 replaced IAS 39 and has the objective to establish general principles for the financial reporting of financial assets and financial liabilities. The standard sets forth the requirements for recognition, classification, measurement, derecognition and hedge accounting, and introduces a new impairment model for financial assets. As the comparative figures in this Annual Report have not been restated, refer to the Annual Report 2017 for the accounting policies under the previous standard (IAS 39).

Classification and measurement

Beginning on 1 January 2018, the Group has classified its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss (“FVTPL”); and
- those to be measured at amortized cost.

The classification depends on the Group’s business model for managing the financial assets and the contractual terms of the cash flows.

IFRS 9 largely retains the existing requirements of IAS 39 for the classification of financial liabilities.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

The Group's management has assessed which business models apply to the financial assets held by the Group at the date of initial application of IFRS 9 and has classified its financial instruments into the appropriate IFRS 9 categories. The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and liabilities as of 1 January 2018:

In millions of Swiss francs	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortized cost	852.3	852.3
Marketable securities	Held-for-trading	Mandatorily FVTPL	0.0	0.0
Trade receivables ¹⁾	Loans and receivables	Amortized cost	216.4	216.4
Other receivables ¹⁾	Loans and receivables	Amortized cost	10.1	10.1
Cash collateral ¹⁾	Loans and receivables	Amortized cost	79.8	79.8
Accrued revenues	Loans and receivables	Amortized cost	75.3	75.3
Derivative assets held for risk management ¹⁾	Held-for-trading	Mandatorily FVTPL	3.3	3.3
Short-term loans	Loans and receivables	Amortized cost	713.4	713.4
Assets held for sale	Held-for-trading	Mandatorily FVTPL	260.8	260.8
Financial investments	Designated FVTPL	Mandatorily FVTPL	451.8	451.8
Other financial assets	Loans and receivables	Amortized cost	64.0	64.0
Total financial assets			2'727.2	2'727.2
Financial liabilities				
Trade payables ²⁾	Amortized cost	Amortized cost	108.2	108.2
Cash collateral ²⁾	Amortized cost	Amortized cost	66.5	66.5
Derivative liabilities held for risk management ²⁾	FVTPL	Mandatorily FVTPL	5.9	5.9
Liabilities held for sale	FVTPL	Mandatorily FVTPL	155.1	155.1
Long-term debt	Amortized cost	Amortized cost	299.2	299.2
Other long-term liabilities	Amortized cost	Amortized cost	1.1	1.1
Other long-term liabilities	FVTPL	Mandatorily FVTPL	1.0	1.0
Total financial liabilities			637.0	637.0

¹⁾ Presented in the line item trade and other receivables in the consolidated balance sheet.

²⁾ Presented in the line item trade and other payables in the consolidated balance sheet.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

Impairment of financial assets

The new standard replaces the 'incurred loss' with an 'expected loss' impairment approach for relevant financial instruments. The Group has identified the following financial assets as subject to the expected credit loss model. These are held within a business model that has the objective to hold and collect the contractual cash flows and where the contractual cash flows only include principal payments and interest:

- Cash and cash equivalents where the Group applies the 'general impairment approach'. The general impairment approach involves a three-stage approach. The measurement basis of the loss allowance are 12 month expected credit losses unless a significant increase in credit risk occurs. In this case, the measurement basis changes to lifetime expected losses, unless the increase reverses.
- Short-term loans where the Group applies the 'general impairment approach'.
- Trade and other receivables as well as other financial assets where the Group applies the 'simplified impairment approach' using the lifetime expected loss provision. Within the simplified impairment approach, the loss allowance is always measured at an amount equal to lifetime expected credit losses.

For further details see note 5.4.1.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

IFRS 15, “Revenue from Contracts with Customers”

The International Accounting Standards Board has issued a new standard, IFRS 15, for the recognition of revenues that replaces existing revenue recognition guidance, including IAS 18 “Revenue”, IAS 11 “Construction Contracts” and IFRIC 13 “Customer Loyalty Programmes.” IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized when it satisfies its performance obligations in a contract at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted IFRS 15 as issued in May 2014, which resulted in changes in accounting policies, but did not result in any adjustments to the amounts recognized in the financial statements.

Management has assessed the impact of IFRS 15 on the various revenue streams and contractual agreements of the Group, analyzing the five-step approach as set out in the standard. Management has concluded that there is no change to the method of revenue recognition or financial statement presentation applied in previous financial years as a result of the adoption of IFRS 15.

Management fees and other revenues, performance fees

The accounting policies relating to management fees and other revenues as well as performance fees are outlined in note 19.7.

Based on the Group’s assessment, the application of IFRS 15 did not result in differences in the timing of revenue recognition for these services.

Revenue deductions

Rebates are typically paid either as fee discounts to select large clients or to facilitate mandate implementation through the Group’s managed comingled investment programs while avoiding double fee layers.

Based on the Group’s assessment, the application of IFRS 15 did not result in differences in the timing of revenue recognition for these services.

Contract costs

The accounting policy relating to contract costs is outlined in note 19.17.

Based on the Group’s assessment, the application of IFRS 15 did not result in differences in accounting for contract costs compared to IAS 18.

Transition

The adoption of the new standard had no material impact on the Group’s retained earnings and therefore no impact was recognized in retained earnings as of 1 January 2018.

Amendments and interpretations

The following amendments and interpretations have been applied for the first time but have no significant impact on the Group’s financial statements:

- Annual Improvements to IFRSs 2014-2016 Cycle various standards (Amendments to IFRS 1 and IAS 28)
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

19.2.2. Standards, amendments and interpretations to existing standards that are not yet effective and might be relevant to the Group, but have not been early adopted

The following new and revised standards, amendments and interpretations have been issued by the date the consolidated financial statements were authorized for issue, but are not yet effective and are not adopted early in these consolidated financial statements. Their impacts on the consolidated financial statements of the Group have not yet been systematically analyzed. The expected impacts as disclosed in the table below reflect a first assessment by the Group's management.

Standard / Interpretation		Effective date	Planned adoption by the Group
New standards or interpretations			
IFRS 16, "Leases"	**	1 January 2019	Reporting year 2019
IFRS 17, "Insurance Contracts"	*	1 January 2021	Reporting year 2021
Revisions and amendments of standards and interpretations			
IFRIC 23 Uncertainty over Income Tax Treatments	*	1 January 2019	Reporting year 2019
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	*	1 January 2019	Reporting year 2019
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	*	1 January 2019	Reporting year 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	*	1 January 2019	Reporting year 2019
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	*	1 January 2019	Reporting year 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards	*	1 January 2019	Reporting year 2019
Amendments to References to Conceptual Framework in IFRS Standards	*	1 January 2020	Reporting year 2020
Definition of a Business (Amendments to IFRS 3)	*	1 January 2020	Reporting year 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	*	1 January 2020	Reporting year 2020

* No significant impact is expected on the consolidated financial statements of the Group.

** The impact on the consolidated financial statements is explained in the following page.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

IFRS 16, "Leases"

The International Accounting Standards Board has issued a new standard for leases that replaces existing leases guidance, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases - Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of the Lease". Under the new standard, an asset (the right to use the leased item) and a financial liability representing the present value of the outstanding lease payments are recognized. The only exemptions are short-term leases and low-value leases. In addition, the nature of expenses related to these leases will change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge on the right-of-use assets and interest expense of lease liabilities.

The most significant impact identified is that the Group will recognize additional assets and liabilities for the use of its office facilities, which are currently classified as operating leases (see note 11.). The Group uses the optional exemptions as described above. Based on the information currently available, the Group estimates that it will recognize right-of-use assets in the range of CHF 50.0 million to CHF 55.0 million as of 1 January 2019. The actual impact may change because the Group's new accounting policies are subject to change until the Group presents its first financial statements that include the initial application.

The Group will apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance as of 1 January 2019, with no restatement of comparative information.

19.3. Basis of consolidation

(a) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company (its "subsidiaries"). The Company controls an investee (entity) if and only if the Company has all of the following:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- ability to use its power over the investee to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company holds less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time when decisions need to be made, including voting patterns at previous shareholders meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control over the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Whenever necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full upon consolidation.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

When the Group loses control over a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gains or losses have been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 "Financial Instruments" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(b) Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group accounts for its interest in associates using the equity method.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Based on the Group's assessment of each individual associate, the share of results of associates is disclosed as operating income if comparable to revenues from management services. If the share of results is mainly driven by distributions and changes in fair value of the underlying investments, comparable to changes in fair value of financial investments, the share of results is presented as finance income and expense in the consolidated income statement.

19.4. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' gross segment results are reviewed regularly by the Group's BoD to assess their performance and to make decisions about resources to be allocated to the segments for which discrete financial information is available.

19.5. Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Swiss francs.

(b) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign currency exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at each balance sheet date to the functional currency at the foreign currency exchange rate of that date. Foreign exchange differences arising on translation of such foreign denominated monetary asset and liabilities are recognized in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the applicable foreign currency exchange rate of the date the fair value is determined.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

(c) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from consolidation, are translated to Swiss francs at foreign currency exchange rates applicable at the balance sheet date. The revenues and expenses as well as cash flows of foreign operations are translated to Swiss francs at the average rate of the period.

Resulting foreign currency translation differences are recognized in other comprehensive income, and presented in translation reserves in equity. When the disposal or partial disposal of a foreign operation results in losing control or significant influence over an entity (i.e. the foreign operation) the cumulative amount in translation reserves (related to the specific foreign operation) is reclassified to profit or loss as part of the gain or loss on disposal.

(d) Applied foreign currency exchange rates

The Group applied the following currency exchange rates against the Swiss franc:

Year	Currency	Balance sheet rate	Average rate
2018	EUR	1.1267	1.1548
	USD	0.9853	0.9785
	GBP	1.2559	1.3056
	SGD	0.7230	0.7253

Year	Currency	Balance sheet rate	Average rate
2017	EUR	1.1704	1.1118
	USD	0.9748	0.9844
	GBP	1.3190	1.2683
	SGD	0.7294	0.7132

19.6. Financial instruments

Recognition

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Classification

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss; and
- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in profit or loss. Investments in debt instruments will be measured at amortized cost if the objective of the business model is to hold and to collect contractual cash flows and contractual cash flows represent solely payments of principal and interest. See note 19.2. for details about each type of financial asset.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurements of debt instruments depend on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortized cost are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized on a net basis in profit or loss in the period in which it arises.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL.

- A financial liability is classified as at FVTPL if it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.
- Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

19.7. Revenue recognition

Revenue comprises the fair value for the rendering of services, net of value-added tax and rebates and after eliminating sales within the Group. No revenue is recognized if there are significant uncertainties regarding the recovery of the consideration due.

The Group is active in different businesses (see note 3.). Within the different businesses, the Group earns income for its various activities, which are further explained and outlined below:

Management fees and other revenues

The Group earns investment management fees for discretionary mandates, typically based on long-term contracts. The fees are often based on the investment exposure of investors in the investment structures and are often payable on a quarterly basis in advance. The performance obligation of the Group in respect of these fees is to manage the investment structures on an ongoing basis. Ongoing investment management fees including all non-performance related fees are recognized over time, based on the specific contracts.

In the process of structuring new products, the Group typically receives a fee for its services in connection with establishing investment programs and related legal and structuring work. These organizational fees are always one-off fees, which are typically received when a new investor commits into the structure. The structuring of the relevant investment programs represents a separate performance obligation of the Group, and therefore revenue is recognized at the point in time when the investor commits. Occasionally, the Group also receives transaction fee income relating to private market transactions. These transaction fees are typically one-time occurring. The performance obligation of the Group is satisfied by the execution of the private market transaction, and therefore revenue is recognized at the point in time when the execution of the transaction is completed.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

Performance fees

Typically, performance fees are recognized so that they do not exceed the portion of performance fees from realized investments and so that there is a sufficiently large cushion for any potential negative development on the remaining portfolio, therefore resulting in a very low probability that these fees are subject to a reversal in a potential claw-back situation.

Accordingly, the recognition of performance fees of investment programs with a claw-back is assessed based on a three-step approach once a pre-defined return hurdle has been exceeded: (1) the total proceeds from realized investments are determined and the corresponding costs of such realized as well as of fully written-off investments are deducted ("Net Proceeds"), (2) the NAV of unrealized investments is determined. The respective NAV will be written down (in a so-called "Write-Down Test") to the extent that the probability of a future claw-back risk becomes minimal. Then, the corresponding costs of such unrealized investments are deducted, resulting in a "Write-Down NAV". This Write-Down NAV is added to the Net Proceeds. In the final third step (3), performance fees to be recognized are calculated by multiplying the lower of (1) and (2) by the applicable performance fee rate, if the value is positive.

On a quarterly basis, the Write-Down Test is applied to all private markets investment programs with a claw-back. The discount applied in the Write-Down Test may vary from investment program to investment program and considers specific risk characteristics, including macroeconomic, (geo-) political and investment program-specific risk factors. The discount applied in the Write-Down Test is regularly assessed by the Group and reviewed by the Board of Directors. As of 31 December 2018, the applied discounts was 50% (31 December 2017: between 50% and 80%).

Revenue deductions

Revenue deductions include the Group's payments to third parties, such as rebates. Third party payments may be one-off or also recurring, depending on individual agreements. Rebates to clients are typically for fees charged which were earned when investing through a pooling vehicle, in order to avoid the double charging of fees.

19.8. Other operating income

Other operating income comprises income resulting from the ordinary course of business but that is not revenue from management services, net. Other operating income includes operating income on short-term loans, true-up compensation on management and organizational fees.

19.9. Leases

Leases where the lessor substantially retains all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease. Lease incentives are recognized in profit or loss as an integral part of total lease expense. The majority of the Group's lease expenses result from rental agreements, especially office space rental agreements, and are classified as operating leases.

19.10. Consulting expenses

Consulting expenses comprise BoD compensation (non-executive) as well as legal, consulting and other fee expenses to third parties.

19.11. Finance income and expense

Net finance income and expense comprises bank interest income and expense, dividend income, gains and losses on revaluations of financial instruments and foreign exchange gains/losses.

Dividend income is recognized in profit or loss on the date the entity's right to receive payments is established, which in the case of quoted securities is typically the ex-dividend date.

19.12. Income tax expense

Income tax expense for the period comprises current and deferred tax expense. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

Current income tax relates to the expected taxes payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to taxes payable in respect of previous periods.

Deferred income tax is recognized, using the balance sheet liability method, on temporary differences between the tax basis of assets and liabilities and their carrying amounts included in the consolidated financial statements. The following temporary differences are not considered in accounting for deferred taxes: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that their reversal is not probable in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted as of the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

19.13. Cash and cash equivalents

Cash and cash equivalents include cash on hand and call deposits held with banks and are measured at amortized cost. Bank overdrafts are shown in current liabilities of the consolidated balance sheet.

19.14. Trade and other receivables

Trade and other receivables are measured at amortized cost, less impairment losses.

19.15. Assets and liabilities held for sale

The Group may seed capital into investment programs that the Group typically manages with the objective to provide initial scale and facilitate marketing of the investment programs to third party investors. For these assets and liabilities held for sale, the Group is actively seeking to reduce its share in seed financed investment programs by recycling capital back into cash or by diluting.

Those investment programs deemed to be controlled under IFRS 10 are classified as held for sale and are presented in the separate balance sheet line items assets held for sale and liabilities held for sale. Such assets and liabilities held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Investments that are subsequently disposed of or diluted, such as the Group is no longer deemed to have control under IFRS 10, will subsequently be re-classified to investments at fair value through profit or loss and presented as financial investments in the consolidated balance sheet.

19.16. Property and equipment

Property and equipment is stated at cost less accumulated depreciation and impairment losses. Costs include expenses that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the costs of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss in the financial period in which they are incurred.

Depreciation of property and equipment is calculated using the straight-line method to allocate the cost of each asset, minus its residual value, over its estimated useful life, as follows:

- Buildings 30–50 years
- Interior fittings 5–10 years
- Office furniture 5 years
- Equipment and IT fittings 3–5 years

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

Major renovations are depreciated over the remaining estimated useful life of the related asset or to the date of the next major renovation, whichever is sooner. Land is not depreciated.

The carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see note 19.19).

Gains and losses on disposals of property and equipment are determined by comparing proceeds with the carrying amount and are included in profit or loss.

19.17. Intangible assets

(a) Client contracts

Client contracts, which the Group acquired and which are recognized as intangible assets, have definite useful lives. Such intangible assets are carried at cost less accumulated amortization and impairment losses.

(b) Goodwill

Goodwill arises upon the acquisition of subsidiaries and is included in intangible assets.

The Group measures goodwill at the acquisition date as the total of:

- the fair value of the total consideration transferred; plus
- the recognized amount of any non-controlling interest in the acquiree; plus - if the business combination is achieved in stages - the fair value of the existing equity interest in the acquiree; less
- the net recognized amount (typically fair value) of the identifiable assets acquired and liabilities (including contingent liabilities) assumed.

When the excess is negative, a gain on a bargain purchase is recognized immediately in net finance income and expense in the consolidated income statement.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is not amortized but tested annually for impairment.

(c) Software

Acquired software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Software recognized as an asset is carried at cost less accumulated amortization and impairment losses.

(d) Contract costs

The Group may make payments to secure investment management revenue contracts. These amounts paid are considered a cost to obtain a contract and are amortized using the straight-line method which is consistent with the transfer to the customer of the services to which the asset relates. This is typically between three to five years.

(e) Subsequent expenditure

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases future economic benefits embodied in the intangible asset to which it relates. All other subsequent expenditure is expensed in profit or loss as incurred.

(f) Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of intangible assets unless such life is indefinite. Goodwill and other intangible assets with an indefinite useful life are tested at least annually for impairment as of the balance sheet date. Intangible assets with a determinable useful life are amortized from the date that they are available for use.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

The estimated useful life of intangible assets is as follows:

- Goodwill indefinite
- Software 3–5 years
- Placing expenses 3–5 years
- Client contracts 3–5 years
- Other intangible assets 3–10 years

19.18. Investments

(a) Financial investments

Financial investments (see note 5.3.1.) are measured at fair value through profit or loss. The fair values of quoted investments are based on current bid prices. If the market for a financial asset (including unlisted securities) is not active, the Group establishes fair values by using various valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis refined to reflect the issuer's specific circumstances. For further explanations in connection with the determination of fair value please refer to note 5.5.

(b) Loans

Loans are non-derivative financial assets with fixed or determinable payments, which are not quoted in an active market and in respect of which there is no intention of trading. They are included in current assets (short-term loan, see note 5.3.4.), except for amounts with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets (other financial assets).

19.19. Impairment of assets

(a) Financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 5.4.1. details the Group's credit risk assessment of the financial assets.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

(b) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (CGU). For the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. An impairment loss in respect of goodwill is not reversed.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

19.20. Trade and other payables

Trade and other payables are obligations to pay for goods and services that have been rendered in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost.

19.21. Provisions

Provisions are recognized when: (i) the Group has a present legal or constructive obligation as a result of past events; (ii) it is more likely than not that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated.

If the effect is material, provisions are determined by discounting the expected future cash flows at the pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

19.22. Employee benefits

(a) Defined benefit plan

Group companies operate various pension schemes. The schemes are funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all benefits to employees relating to employee services in the current and prior periods. For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as personnel expenses in the consolidated income statement when due.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans specify an amount of pension benefit that an employee will receive on retirement, typically dependent on one or more factors such as age, years of service and compensation. The benefits paid to employees in Switzerland qualify as a defined benefit plan.

The Group's net obligation/asset in respect of defined benefit plans is calculated by estimating the amount of future benefits that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. When the actuarial calculation results in a benefit to the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

Remeasurements of the net defined benefit obligation/asset, which comprise actuarial gains and losses the return on plan assets (excluding interest) and the effect on the asset ceiling (if any excluding interest) are recognized immediately in the consolidated statement of comprehensive income.

The Group determines the net interest expense/income on the net defined benefit obligation/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit obligation/asset, taking into account any changes in the net defined benefit obligation/asset during the period as a result of contributions and benefit payments. Net interest expense/income and other expenses related to defined benefit plans are recognized in profit or loss.

The Group opted for the Risk-Sharing approach.

Notes to the consolidated financial statements for the years ended 31 December 2018 and 2017

(b) Share-based payment transactions

The fair value at grant date of share-based payment awards granted to employees is recognized as personnel expenses in the consolidated income statement with a corresponding increase in equity, over the period until the employees unconditionally become entitled to the awards. The amount recognized as personnel expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as personnel expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards without vesting conditions, the fair value at grant date of the share-based payment is measured and immediately expensed in profit or loss to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(c) Performance-related compensation

The NCC and the BoD allocate each year up to 40% of recognized performance fees via the Performance Fee Compensation Pool to a group of eligible employees.

A portion of the Performance Fee Compensation Pool is allocated via the MCP Allocation to the broader management team on the basis of discretionarily awarded grants. The recognition of the performance fee related compensation expenses usually occurs when the performance fees are sufficiently visible and recognized. The corresponding liability is recognized as employee benefit liabilities in the consolidated balance sheet (see note 4.5.). The part of the liability that is not expected to be settled wholly before twelve months after the end of the annual reporting period is considered in non-current liabilities.

The difference between the Performance Fee Compensation Pool and the MCP Allocation is allocated to a "Performance Fee Bonus Pool" which is distributed among the broader management teams based on their contribution to performance. The part of the Performance Fee Bonus Pool that is not expected to be settled wholly before twelve months after the end of the annual reporting period is recorded in non-current liabilities.

19.23. Long-term debt

Long-term debt is initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition these liabilities are measured at amortized cost using the effective interest method, with interest expense recognized in the consolidated income statement on the effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

19.24. Share capital

(a) Ordinary shares

Ordinary shares are classified as equity since the shares are non-redeemable and any dividends are discretionary.

(b) Issuance of new shares

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

(c) Repurchase of share capital and options

Where any Group company purchases the Company's issued shares, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders until the shares are cancelled, re-issued or disposed of. Where such shares are subsequently sold or re-issued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Company's equity holders.

(d) Distribution of dividends

The distribution of dividends to the Company's shareholders is recognized as a liability in the consolidated financial statements when the dividends are approved by the Company's shareholders.

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Report of the auditors on the financial statements of Partners Group Holding AG



Statutory Auditor's Report

To the General Meeting of Partners Group Holding AG, Baar

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Partners Group Holding AG, which comprise the balance sheet as at 31 December 2018, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 114 to 124) for the year ended 31 December 2018 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Report of the auditors on the financial statements of Partners Group Holding AG



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report of the auditors on the financial statements of Partners Group Holding AG



Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

A blue ink signature of Thomas Dorst, written in a cursive style.

Thomas Dorst
Licensed Audit Expert
Auditor in Charge

A blue ink signature of Philipp Rickert, written in a cursive style.

Philipp Rickert
Licensed Audit Expert

Zurich, 6 March 2019

Income statement of Partners Group Holding AG

for the years ended 31 December 2018 and 2017

In millions of Swiss francs	Note	2018	2017
Dividend income		449.2	846.4
Other finance income	2.	53.6	58.9
Other service income		4.6	-
Total income		507.4	905.3
Third party services		(2.1)	(2.1)
General and administrative expenses		(1.4)	(1.4)
Travel and representation expenses		(0.2)	(0.1)
Finance expense	3.	(77.5)	(72.5)
Profit before tax		426.2	829.2
Direct taxes		(0.0)	(3.8)
Profit for the period		426.2	825.4

Balance sheet of Partners Group Holding AG as of 31 December 2018 and 2017

In millions of Swiss francs	Note	31 December 2018	31 December 2017
Assets			
Cash and cash equivalents		94.9	525.3
Other current receivables	4.	587.6	420.4
Total current assets		682.5	945.7
Financial assets	5.	26.9	4.7
Participations	6.	1'833.4	1'357.7
Total non-current assets		1'860.3	1'362.4
Total assets		2'542.8	2'308.1
Liabilities and equity			
Liabilities			
Current interest-bearing liabilities to subsidiaries		957.2	561.0
Other current liabilities	7.	5.5	1.4
Total current liabilities		962.7	562.4
Non-current interest-bearing liabilities	8.	300.0	300.0
Other non-current liabilities		0.1	0.1
Provisions	9.	3.0	1.9
Total non-current liabilities		303.1	302.0
Total liabilities		1'265.8	864.4
Equity			
Share capital		0.3	0.3
Legal capital reserves			
Legal reserves from capital contributions		0.2	0.2
Legal retained earnings			
Legal reserves		0.0	0.0
Voluntary retained earnings			
Results carried forward		993.9	674.9
Profit for the period		426.2	825.4
Treasury shares	10.	(143.6)	(57.1)
Total equity		1'277.0	1'443.7
Total liabilities and equity		2'542.8	2'308.1

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2018 and 2017

1. Accounting principles

The financial statements have been established in accordance with the accounting, presentation and valuation principles of the Swiss Code of Obligations.

Partners Group Holding AG ("the Company") is domiciled in Switzerland. The address of the Company's registered office is Zugerstrasse 57, 6341 Baar-Zug, Switzerland.

Receivables and liabilities

Receivables from and liabilities to subsidiaries are denominated in the local currency of the respective subsidiary and are recognized on a net basis for each counterparty.

Financial assets

Financial assets include long-term loans. Loans granted in foreign currencies are translated to Swiss francs at foreign currency exchange rates applicable at the balance sheet date.

Participations

The Company applies the group valuation principle for the valuation of all its participations (see note 6.).

Treasury shares

Treasury shares are recognized at acquisition cost, deducted from equity at the time of acquisition and presented separately within equity. In case of a disposal of treasury shares, the gain or loss is recognized in the income statement as other finance income or finance expense. The treasury shares are valued at historic price.

2. Other finance income

In millions of Swiss francs	2018	2017
Interest income	2.7	3.0
Foreign exchange gains	29.6	29.2
Gain on treasury shares transactions	21.3	26.7
Total other finance income	53.6	58.9

3. Finance expense

In millions of Swiss francs	2018	2017
Interest expense	(9.7)	(8.8)
Foreign exchange losses	(21.4)	(26.1)
Loss on treasury shares transactions	(45.4)	(36.2)
Other finance expense	(1.0)	(1.4)
Total finance expense	(77.5)	(72.5)

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2018 and 2017

4. Other current receivables

In millions of Swiss francs	31 December 2018	31 December 2017
Third parties	5.8	0.0
Subsidiaries	581.8	420.4
Total other current receivables	587.6	420.4

5. Financial assets

In millions of Swiss francs	31 December 2018	31 December 2017
Loans to subsidiaries	26.9	4.7
Total financial assets	26.9	4.7

6. Participations

	Domicile	Ownership and voting interest	
		31 December 2018	31 December 2017
Partners Group AG	Switzerland	100%	100%
Partners Group Corporate Finance AG	Switzerland	100%	100%
Partners Group (Deutschland) GmbH	Germany	100%	100%
Partners Group Management (Deutschland) GmbH	Germany	100%	100%
Partners Group (Luxembourg) S.A.	Luxembourg	100%	100%
Partners Group Management I S.à r.l.	Luxembourg	100%	100%
Partners Group Management II S.à r.l.	Luxembourg	100%	100%
Partners Group Management III S.à r.l.	Luxembourg	100%	100%
Partners Group (France) SAS	France	100%	100%
Partners Group (Brazil) Investimentos Ltda.	Brazil	100%	100%
Partners Group (USA) Inc.	USA	100%	100%
Partners Group Colorado Propco, LLC	USA	100%	100%
Partners Group (Canada) Inc.	Canada	100%	0%
Partners Group (Singapore) Pte. Limited	Singapore	100%	100%
Partners Group (Shanghai) Co., Limited	China	100%	100%
Partners Group (India) Private Limited	India	100%	100%
Partners Group Prime Services Solutions (Philippines), Inc.	Philippines	100%	100%
Partners Group Japan Kabushiki Kaisha	Japan	100%	100%
Partners Group (UK) Limited	UK	100%	100%
Partners Group (UK) Management Limited	UK	100%	100%

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2018 and 2017

	Domicile	Ownership and voting interest	
		31 December 2018	31 December 2017
Partners Group Advisors (DIFC) Limited	UAE	100%	0%
PG Private Markets (Australia) Pty. Ltd.	Australia	100%	0%
Partners Group Cayman Management I Limited	Cayman Islands	100%	100%
Partners Group Cayman Management II Limited	Cayman Islands	100%	100%
Partners Group Cayman Management III Limited	Cayman Islands	100%	100%
Partners Group Cayman Management IV Limited	Cayman Islands	100%	0%
Partners Group (Guernsey) Limited	Guernsey	0%	100%
Pearl Management Limited	Guernsey	100%	100%
Penta Management Limited	Guernsey	100%	100%
Princess Management Limited	Guernsey	100%	100%
Partners Group Management Limited	Guernsey	100%	100%
Partners Group Management II Limited	Guernsey	100%	100%
Partners Group Management III Limited	Guernsey	100%	100%
Partners Group Management IV Limited	Guernsey	100%	100%
Partners Group Management V Limited	Guernsey	100%	100%
Partners Group Management VI Limited	Guernsey	100%	100%
Partners Group Management VII Limited	Guernsey	100%	100%
Partners Group Management VIII Limited	Guernsey	100%	100%
Partners Group Management IX Limited	Guernsey	100%	100%
Partners Group Management X Limited	Guernsey	100%	100%
Partners Group Management XI Limited	Guernsey	100%	100%
Partners Group Management XII Limited	Guernsey	100%	100%
Partners Group Management XIII Limited	Guernsey	100%	100%
Partners Group Management XIV Limited	Guernsey	100%	100%
Partners Group Management XV Limited	Guernsey	100%	100%
Partners Group Client Access Management I Limited	Guernsey	100%	100%
Partners Group Access Finance Limited	Guernsey	100%	100%
Partners Group Client Access 10 MP Management Limited	Guernsey	100%	100%
Partners Group Finance ICC Limited	Guernsey	100%	100%
Partners Group Finance CHF IC Limited	Guernsey	100%	100%
Partners Group Finance USD IC Limited	Guernsey	100%	100%
Partners Group Finance EUR IC Limited	Guernsey	100%	100%
Partners Group Finance GBP IC Limited	Guernsey	100%	100%
Partners Group Finance SGD IC Limited	Guernsey	100%	100%
Partners Group Private Equity Performance Holding Limited	Guernsey	100%	100%
LGT Private Equity Advisers AG	Liechtenstein	40%	40%

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2018 and 2017

7. Other current liabilities

In millions of Swiss francs	31 December 2018	31 December 2017
Accrued audit expenses	0.2	0.2
Other accrued expenses	4.9	0.7
Tax liabilities	0.0	0.1
Sundry liabilities	0.4	0.4
Total other current liabilities	5.5	1.4

8. Non-current interest-bearing liabilities

The Company issued the following corporate bonds denominated in Swiss francs and listed on the SIX Swiss Exchange (ISIN: CH0361532895):

Date of issue	Face value in millions of CHF	Coupon in %	Year of maturity	Issue price in %	Redemption price in %
7 June 2017	300	0.150%	2024	100.052%	100.000%

9. Provisions

In millions of Swiss francs	31 December 2018	31 December 2017
Provisions for compensation to board members		
Option grants	2.4	1.8
Management carry program	0.6	0.1
Total provisions	3.0	1.9

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2018 and 2017

10. Treasury shares

	Number of shares	Weighted average price	Total value
		In Swiss francs	In millions of Swiss francs
Balance as of 1 January 2017	180'607	404.10	73.0
Purchase of treasury shares	271'421	559.84	152.0
Disposal of treasury shares	(346'863)	483.83	(167.8)
Balance as of 31 December 2017	105'165	543.10	57.1
Purchase of treasury shares	872'304	657.59	573.6
Disposal of treasury shares	(769'664)	632.93	(487.1)
Balance as of 31 December 2018	207'805	690.98	143.6

The Company has 1'484'142 (31 December 2017: 1'360'808) outstanding employee options and non-vested shares. The treasury shares necessary to cover the granted non-vested shares have already been put aside in separate escrow accounts in the name of the employees. Thus, the number of treasury shares is already net of non-vested shares outstanding (see also note 4.3. of the consolidated financial statements).

11. Share and option grants to members of the Board of Directors and the Executive Committee

In Swiss francs	2018			2017		
	Number of instruments	Weighted average price	Total value	Number of instruments	Weighted average price	Total value
		In Swiss francs	In millions of Swiss francs		In Swiss francs	In millions of Swiss francs
Board of Directors						
Shares	337	668.50	0.2	592	676.00	0.4
Options	18'489	33.81	0.6	35'078	23.52	0.8
Executive Committee						
Shares	-	-	-	1'332	676.00	0.9

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2018 and 2017

12. Commitments and contingent liabilities

In millions of Swiss francs	31 December 2018	31 December 2017
Guarantees for third parties	56.5	-
Guarantees for subsidiaries	430.0	430.0

The Company and certain subsidiaries maintain the following lines of credit as of 31 December 2018 (see note 5.4.3. of the consolidated financial statements):

- CHF 30 million
- CHF 400 million

The amounts drawn by subsidiaries are guaranteed by the Company.

As of 31 December 2018 there are no outstanding drawings by a subsidiary (2017: CHF 0).

13. Shareholders above 5%

	31 December 2018	31 December 2017
Dr. Marcel Erni	10.01%	10.01%
Alfred Gantner	10.01%	10.01%
Urs Wietlisbach	10.01%	10.01%
BlackRock, Inc.	6.14%	6.14%

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2018 and 2017

14. Share and option holdings by members of the Board of Directors and the Executive Committee

Number of shares and options	31 December 2018		
	Share ownership	Non-vested shares	Options
Board of Directors			
Steffen Meister, Executive Chairman	350'675	-	-
Dr. Peter Wuffli, Vice Chairman	10'000	-	30'597
Dr. Charles Dallara	3'248	2'025	6'000
Dr. Marcel Erni	2'673'659	-	-
Michelle Felman	102	-	7'430
Alfred Gantner	2'673'659	-	-
Grace del Rosario-Castaño	102	-	8'962
Dr. Eric Strutz	102	-	11'661
Patrick Ward	-	-	18'025
Urs Wietlisbach	2'673'659	-	-
Executive Committee			
André Frei, Co-Chief Executive Officer	50'271	112	32'820
Christoph Rubeli, Co-Chief Executive Officer	538'993	112	2'500
Marlis Morin	16'969	464	1'700
Andreas Knecht, Chief Operating Officer and General Counsel	4'109	592	37'100
David Layton ¹⁾	2'664	592	24'500
Juri Jenkner	7'638	555	32'404
Dr. Michael Studer	26'735	472	32'400
Total	9'032'585	4'924	246'099

¹⁾ Effective from 1 January 2019, David Layton, Partner and Head Private Equity, succeeded Christoph Rubeli as Co-Chief Executive Officer

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2018 and 2017

14. Share and option holdings by members of the Board of Directors and the Executive Committee

Number of shares and options	31 December 2017		
	Share ownership	Non-vested shares	Options
Board of Directors			
Dr. Peter Wuffli, Chairman	10'000	-	28'612
Dr. Charles Dallara, Vice Chairman	3'716	2'679	6'000
Dr. Marcel Erni	2'673'659	-	-
Michelle Felman	102	-	5'211
Alfred Gantner	2'673'659	-	-
Steffen Meister	350'675	-	1'350
Grace del Rosario-Castaño	102	-	6'743
Dr. Eric Strutz	102	-	10'055
Patrick Ward	-	-	10'630
Urs Wietlisbach	2'673'659	-	-
Executive Committee			
André Frei, Co-Chief Executive Officer	57'800	383	32'820
Christoph Rubeli, Co-Chief Executive Officer	538'722	383	2'500
Marlis Morin	16'656	777	1'700
Andreas Knecht, Chief Operating Officer and General Counsel	3'618	1'083	37'100
David Layton	2'300	923	24'500
Juri Jenkner	7'368	825	32'404
Dr. Michael Studer	28'458	882	32'980
Total	9'040'596	7'935	232'605

15. Full-time employees

The Company did not have any employees in the reporting year or in the previous year.

Proposal by the Board of Directors of Partners Group Holding AG for the appropriation of available earnings as of 31 December 2018

In millions of Swiss francs	31 December 2018
Profit for the period	426.2
Results carried forward	993.9
Total voluntary retained earnings available for appropriation	1'420.1
Proposal by the Board of Directors to the Annual General Meeting of shareholders:	
To be distributed to shareholders	(587.4)
To be carried forward	832.7



Compensation Report

Dear clients, business partners and fellow shareholders,

As Chairwoman of the Nomination & Compensation Committee of the Board, I am pleased to present you with Partners Group's 2018 Compensation Report. In this report, the Nomination & Compensation Committee outlines the philosophy and principles behind our compensation structure and discloses the compensation paid to the members of the Executive Committee and the Board for the fiscal year 2018.



Grace del Rosario-Castaño member of the Board of Directors and Chairwoman of the Nomination and Compensation Committee

2018 performance

In 2018, we continued to realize potential in private markets and invested over USD 19 billion on behalf of our clients, maintaining our highly disciplined approach and high standards of selectivity across all private markets asset classes. Our successful investment and exit activities and additional client demand resulted in solid financial performance, as explained in detail in the financial section of our 2018 Annual Report.

Review of compensation structure and disclosure in 2018

Although the general philosophy behind our compensation policy has remained unchanged since our inception, we undertake periodic reviews of our compensation structure and make adjustments as necessary to ensure that the interests of employees, clients, shareholders and other stakeholders remain well aligned.

In 2018, we proactively reached out to major shareholders and several proxy advisors to reflect on industry trends and gather outside perspectives. During our meetings, we focused, in particular, on our compensation methodology, cognizant of the fact that our 2017 Compensation Report had gained an approval rate of only 68.6% among our shareholders. Shareholders and proxy advisors alike revealed that they had not fully understood how we had determined and allocated compensation budgets and that they felt the compensation of individual members of the Executive Committee and Board lacked detail.

Based on the feedback gathered throughout the year, in this report we have focused on providing more thorough explanations of our allocation method and more explicitly

highlighting our approach to linking pay to company performance and granting long-term incentives to members of the Executive Committee and executive members of the Board.

While our short-term incentives (STIs) are based on function and represent a stable and predictable compensation component, our long-term incentives (LTIs) are closely linked to both quantitative and qualitative achievements. In the absence of non-ordinary circumstances, the year-on-year development of these achievements is the main component that affects the allocation of LTIs.

- We take **quantitative measures** such as (1) the financial performance, and (2) the investment development into consideration when evaluating the performance of the firm, in general, and our most senior executives, in particular.
- We also believe that **qualitative measures** such as (1) the implementation of strategic initiatives and (2) leadership achievements in the year under review are crucial to creating additional potential for future success.

2018 compensation overview

2018 was a solid year for Partners Group in terms of the development of its financial performance and a highly successful year in terms of the firm's ability to invest a significant amount in private markets assets. In 2018, members of the Executive Committee and executive members of the Board also achieved their qualitative goals relating to the implementation of the firm's strategy and leadership objectives. These achievements translated into an increase in the LTI compensation in 2018 compared to that of the previous year. In this report, we will outline how we reached this conclusion.

Compensation Report

2019 compensation outlook

In 2019, we would like to further improve our compensation framework in order to create value for our shareholders in the long term. The Nomination & Compensation Committee's current focus areas for 2019 are mentioned below:

- Cash compensation for the Executive Committee:** the Nomination & Compensation Committee plans to further amend the cash compensation of the Executive Committee. It does not intend to change the overall amount of compensation but proposes shifts in the cash-like compensation components to give equal weight to base salaries and deferred cash payments. Both components are expected to remain stable (see section 6.1).
- Compensation of independent Board members:** the Board plans to amend the compensation framework for independent Board members and propose a more detailed module-based approach to compensation. This will largely be determined by the time each member allocates to Board committee responsibilities and their additional contribution to the firm's business beyond their committee responsibilities (see section 6.2).
- Optimize MPP further to continue to provide superior and sustainable total shareholder return:** the Nomination & Compensation Committee plans to consider smaller amendments to the MPP to further align it with the interests of clients and shareholders (see section 6.3).
- Preview of compensation budgets/AGM voting procedure:** in 2018, we prospectively asked shareholders for the approval of a single compensation budget for the Executive Committee and the Board. Shareholders voted on a combined budget that encompasses base salaries, deferred cash payments and MPP. In 2019/20, we would like to separate the compensation budgets. We will therefore ask shareholders at the AGM to vote prospectively on the cash compensation (STIs) and vote retrospectively on the MPP allocation proposals (LTIs) (see section 6.4).

On behalf of Partners Group and the Nomination & Compensation Committee, I would like to thank you for your continued trust and support.

Yours sincerely,



Grace del Rosario-Castaño

Chairwoman of the Nomination & Compensation Committee

Compensation Report

1. Philosophy & principles

2.1 Philosophy

Our investment approach favors trusted, long-term relationships that extend beyond our EUR 73 billion AuM and our more than 1'200 global professionals who operate a significant number of businesses and/or assets in various industries and sectors across the globe. Our professionals are responsible for over 220'000 employees who work for our largest portfolio companies and are responsible for creating long-term value for the over 200 million beneficiaries who are served by our clients. They focus on business and ownership excellence to realize the full development potential of the companies, real estate and infrastructure assets in which we invest.

Our compensation framework honors this responsibility and supports the firm's business strategy. It promotes a corporate culture that contributes to the company's sustained success, while adhering to its values. The philosophy behind the compensation framework is based on our aim of providing clients and their beneficiaries with superior and sustainable investment performance on a mid- to long-term basis.

In order to best combine the interests of clients and shareholders with those of the firm's employees, our compensation framework includes a significant long-term incentive component that allows the firm and its employees to participate in investment success alongside clients.

2.2 Principles

When making compensation decisions, the Nomination & Compensation Committee follows three guiding principles, which apply to all employees:

- **Compensation follows contribution:** we have a unique business model and operate as one global firm, albeit with differentiated business lines and functions. The main drivers for the variable compensation elements in the firm's compensation framework are relative to individual and team objectives, as well as to the firm's overall achievements.
- **Equal opportunity and non-discrimination:** we are an equal opportunity employer and do not discriminate against employees on the basis of age, gender, nationality, or any other basis that is inconsistent with our guiding values. The firm is committed to a "pay for performance" and "fair pay" policy and systematically conducts equal pay analyses across departments and regions.

- **Compensation is no substitute for talent development:** compensation is an important pillar of governance and leadership. It is, however, no substitute for a caring culture, for non-material ways of recognizing individual achievements and for helping the development of the firm's human capital.

Our compensation philosophy stems from our firm's values

Our purpose is to deliver our **clients** superior investment performance, realizing the potential of private markets through our integrated platform. We strive for attractive financial returns and a premium valuation to honor the long-term confidence of our **shareholders**. At the same time, our charter defines our overriding compensation philosophy for the most important asset of our firm, our **employees**.

Clients

We actively listen to our clients to understand their needs and build trusted, long-term relationships. Our aim is to provide tailored private markets portfolio solutions that enable them to achieve superior investment performance and benefit from market-leading client servicing. Our clients honor their trust through continued commitments to Partners Group's investment vehicles.

Shareholders

We strive for attractive financial returns and for a premium valuation to honor our shareholders' long-term confidence in our firm. Partners and employees hold a significant ownership in Partners Group and are thus aligned with external shareholders' interests.

Employees

We attract talented individuals who are committed to our purpose and values and help them to develop so that they perform at their best. Together, we create a demanding and rewarding environment throughout our firm.

Senior professionals are incentivized to participate in delivering superior investment performance to clients through their eligibility for compensation derived from the future performance fees earned by Partners Group's investments.

Compensation Report

2. Components

We have further reduced the total number of compensation components available to our Executive Committee and executive members of the Board. Today, we have two short-term incentives and one long-term incentive. While the base salary & pension benefits and the deferred cash payment are based on function and represent a stable and predictable compensation component for the Executive Committee, the long-term share-based compensation plan is linked to quantitative and qualitative achievements.

Exhibit 1: Compensation components for the Executive Committee

Type of compensation	Instrument	Timing
Fix	Base salary & benefits	Cash
	Deferred cash payment ¹⁾	
Variable	Management Performance Plan (MPP)	Equity (share-based) LTI

1) Deferred cash compensation is awarded at year end. It is intended to be stable and predictable and only adjusted downwards in the case of significant underperformance of the firm or on individual level.

We believe that with increasing seniority, a larger part of an employee's total compensation consideration should be variable and tied to long vesting periods and even longer payout mechanisms. This is intended to ensure that the interests of employees and senior leaders are strongly aligned with those of clients and shareholders, and involves a focus on both sustainable financial performance and long-term investment success.

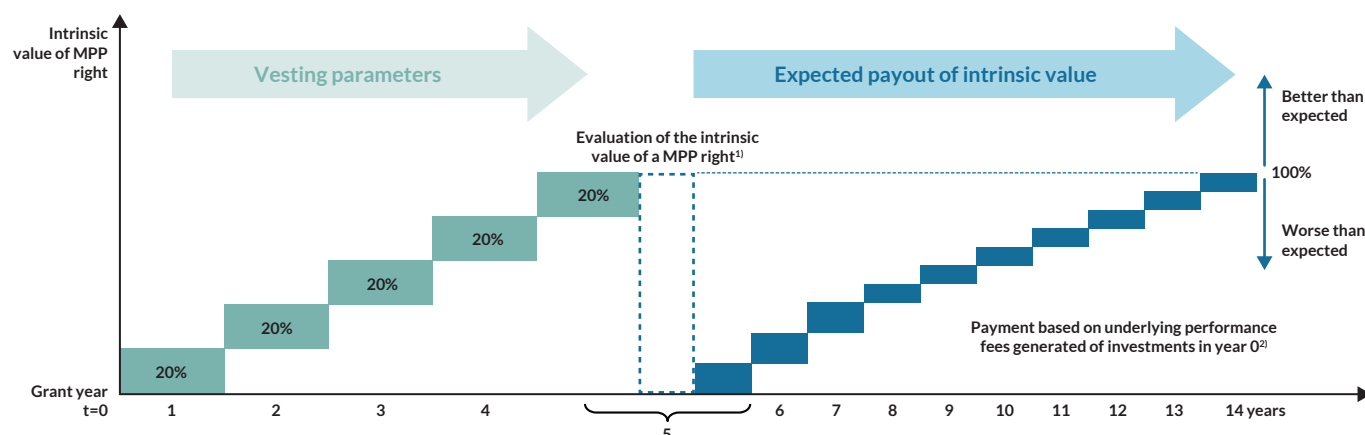
The Management Performance Plan (MPP) reinforces a strong alignment of interests with shareholders as it is dependent on the share price development over a five-year period. At the same time, the MPP ensures a strong alignment of interests with clients as it is dependent on the achievement of a performance fee target, which ultimately derives from active value generation and the realization of investment opportunities in underlying client portfolios.

The MPP requires recipients to have a long-term perspective, as it often takes up to 14 years until the full performance fee payouts from a particular investment year are received. Given the length of this period, we believe the MPP promotes a focus on sustainable value creation and avoids inappropriate risk-taking or short-term profit maximization at the expense of long-term return generation for our clients and ultimately shareholders.

The MPP's long vesting schedules and even longer payout periods are highlighted below.

- **Vesting:** the MPP grants vest linearly over a period of five years. For members of the Executive Committee and executive members of the Board, the linear vesting is subject to a minimum five-year tenure in the respective committee.
- **Payout in restricted shares:** any MPP payout will be in Partners Group shares with a 2-year selling restriction. It starts in year 5 and ends in year 14. The MPP payout can deviate from the intermediate intrinsic value calculated in year 5 as it ultimately depends on the actual investment performance achieved for clients. Superior value creation, above underlying ex ante defined model return targets, can increase the payout, whereas value creation below targets decreases the MPP payout. In the worst-case scenario of insufficient value creation, it can be zero.

Exhibit 2: Vesting and expected payout of the Management Performance Plan (MPP), the firm's LTI for the Executive Committee



1) The intrinsic value of MPP rights after the initial grant after five years relates to absolute shareholder return as well as to a total return outperformance against the benchmark, the S&P Listed Private Equity Index. See detailed description in Appendix A.2.

2) The time period following the determination of the intrinsic value of MPP rights focuses entirely on how the intrinsic value of MPP rights after five years will be paid out in the following years (in the form of restricted Partners Group shares). Both magnitude and timing are dependent on the actual performance fees generated for the firm. See detailed description in Appendix A.2.

Compensation Report

3. Pay for performance

3.1. Top-down LTI allocation

Methodology

The allocation of MPP is linked to both quantitative and qualitative achievements in the year under review. Quantitative achievements are assessed via a top-down performance review based on the firm's financial performance and investment development. The qualitative assessment is equally important and emphasizes strategy implementation and the leadership achievements of the Executive Committee and Board. Based on the assessment of both quantitative and qualitative achievements, the MPP allocation of the previous year typically serves as a basis to calculate the MPP allocation for the year under review.

In order to compensate members of the Executive Committee and executive members of the Board for their long-term perspective and continued value creation, the Nomination & Compensation Committee limits the upside as well as the downside volatility in single years (vis-à-vis their previous year's MPP allocation). We believe that this approach to compensation encourages true entrepreneurialism while ensuring a degree of consistency in our compensation allocations. The Nomination & Compensation Committee caps the upside at a compensation factor of 2.0x the previous year's MPP allocation, on the one hand, and protects Executive Committee members and executive members of the Board by limiting the downside at a compensation factor of 0.5x, on the other hand. In case of an extraordinary event, the Nomination & Compensation Committee can, if necessary, deviate from these limits. For example, if the firm or an individual committee member severely underperforms in a given year and a material adjustment is made to compensation in that year, this would be made transparent to shareholders.

Quantitative measures

- 1. Financial performance:** we assess financial performance based on the year-on-year change in management fee EBITDA (defined as EBITDA adjusted for non-management fee-related and non-ordinary items).¹
- 2. Investment development:** we assess investment development based on the year-on-year change in the performance fee-weighted investment volume (based on standardized model return targets defined at the investment date, adjusted for non-ordinary effects).

¹ As of the Nomination & Compensation Committee meeting in November of the year under review.

Financial performance

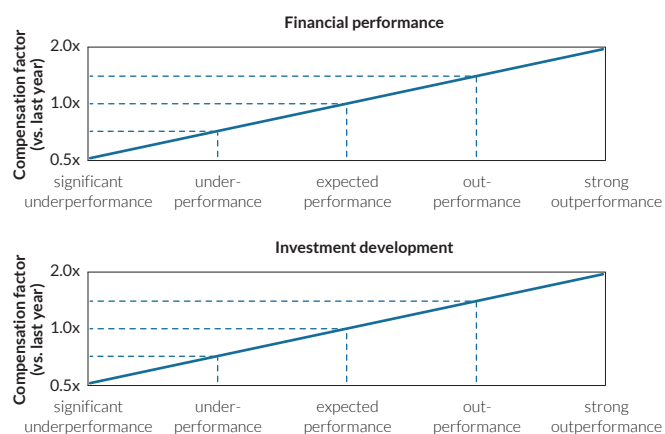
As a measure, financial performance expresses the operational strength of the firm and is a result of the firm's past achievements. Its year-on-year development is an input factor when determining whether MPP allocations should be increased or decreased compared to the previous year's MPP allocations.

Investment development

Successful investments made in the year under review provide the basis for potential future performance fees. Their year-on-year development also serves as an input factor when determining whether MPP allocations should be increased or decreased compared to the previous year's MPP allocations.

The weighting of, and resulting year-on-year adjustments, to the MPP allocation is illustrated in Exhibit 3.

Exhibit 3: Year-on-year adjustment of MPP



Compensation Report

Qualitative measures

- 1. Strategy implementation:** we assess the successful implementation of key strategic initiatives as well as continued business & operational excellence across our platform and businesses.
- 2. Leadership achievements:** we assess the progress made on ensuring the organizational effectiveness of the firm, an entrepreneurial leadership culture as well as the development of talented individuals who are committed to our purpose.

Qualitative assessment

While the quantitative compensation framework serves as a basis for the top-down MPP allocation, the Nomination & Compensation Committee also applies a qualitative assessment. This assessment is equally important and considers performance metrics such as strategy implementation and leadership achievements. In its assessment, the Nomination & Compensation Committee can adjust the results of the quantitative approach. These adjustments are limited to a minimum of 0.5x and a maximum of 2.0x the previous year's MPP allocation in the absence of extraordinary circumstances. Any material adjustments of the MPP allocation by the Nomination & Compensation Committee based on its qualitative assessment will be made transparent to shareholders and explained in detail.

3.2. Bottom-up LTI allocation to individuals

Once the top-down allocation for the Executive Committee and the Board has been completed, the individual assessment of each member commences. Individual goals differ depending on a member's function and level of responsibility. At Executive Committee-level, each member has additional objectives with a greater focus on either investment-, client-, operations- and/or service-related activities. At Board committee-level, each executive member has additional responsibilities in the respective sub-committees. The focus areas for individual responsibilities are outlined in Exhibit 4 and serve as the basis for individual performance assessment.

Members of the Executive Committee will be measured against quantitative (productivity/output) and qualitative (strategy and leadership) dimensions. A similar evaluation process also applies to the group of the executive members of the Board who have responsibilities in the three Board sub-committees.

Once the overall MPP allocation for the Executive Committee and the Board has been set, the individual MPP allocation for its members depends on the individual assessment, relative to all other committee members. For the performance assessment of the Co-CEOs as well as the Chief Operating Officer (COO), the firm places a stronger weighting on group-level objectives than on Executive Committee-level objectives.

3.3. Bonus-malus system

Long-term compensation awarded to members of the Executive Committee as well as to executive members of the Board is subject to "malus" and "clawback" rules. This means that the Nomination & Compensation Committee and the Board, respectively, may decide not to pay any vested but unpaid incentive compensation (malus) or may seek to recover incentive compensation that has been paid in the past where the payout and/or personal conduct has been proven to conflict with applicable laws and regulations.

3.4. Equal pay analysis

Our Human Resource department regularly performs equal pay analyses and shares the results with the Nomination & Compensation Committee. In the course of the audit of the 2018 compensation report, KPMG acknowledged the existence of this analysis and took note of the results and the considerations presented to the Nomination & Compensation Committee.

The latest rank-based (comparison based on rank, tenure in rank, location and team covering all employees) and grade-based (comparison of corporate and services employees with compensation ranges based on grade and location) equal pay analysis was presented to the Nomination & Compensation Committee in November 2018. Based on the above-mentioned criteria, the analysis identified no pay gap between male and female professionals, among others.

Compensation Report

Exhibit 4: Group- and Executive Committee-level objectives & Board committee responsibilities

Group level	Objectives
Investment platform	<ul style="list-style-type: none"> • Achieve sustainable growth and scalability of investment capacity • Create long-term value in portfolio assets
Financials	<ul style="list-style-type: none"> • Focus on sustainable growth • Balance cost growth vs. revenue growth
Strategy implementation	<ul style="list-style-type: none"> • Successfully implement key strategic initiatives • Ensure business & ownership excellence across our platform and businesses
Leadership achievements	<ul style="list-style-type: none"> • Develop organizational effectiveness and an entrepreneurial leadership culture • Develop talented individuals who are committed to our purpose

ExCo ¹⁾ -level	Objectives
Investments	<ul style="list-style-type: none"> • Achieve asset class-specific investment goals • Meet asset class-specific return targets • Establish entrepreneurial governance among portfolio assets
Clients	<ul style="list-style-type: none"> • Extend client coverage (region and type of investor) • Best-in-class client coverage (incl. compliance) • Achieve fundraising goals (mandates, flagship programs and strategic partnerships)
Services	<ul style="list-style-type: none"> • Maintain excellent investment service levels • Provide best-in-class client servicing • Contribute to our PRIMERA²⁾ platform to the benefit of investments, clients & employees
Corporate	<ul style="list-style-type: none"> • Provide necessary technology solutions to enable operational excellence • Maintain excellent compliance track record • Ensure hiring, onboarding, developing and retaining of top talents

Board-level	Objectives
Strategy Committee	<ul style="list-style-type: none"> • Drive the firm via the Board on major business, corporate and organizational initiatives • Guide human capital development, financial planning and use of financial resources
Investment Oversight Committee	<ul style="list-style-type: none"> • Ensure quality/consistency of decision making processes and investment performance • Implement investment-related quality standards and measurement methods
Client Oversight Committee	<ul style="list-style-type: none"> • Drive strategic fundraising initiatives and identify new key product & fundraising themes • Direct the coverage of the firm's key client prospects and global consultant network

1) Executive Committee.

2) PRIMERA is our proprietary private markets database.

Compensation Report

4. Executive Committee compensation 2018

4.1. Short-term incentives

The total cash compensation of the Executive Committee remained largely flat and amounted to CHF 8.9 million in 2018 (2017: CHF 8.7 million). It is a combination of base salary, pensions and other benefits and a deferred cash payment. A detailed overview of the compensation of the Executive Committee is shown in Exhibit 8.

After the re-organization of the Executive Committee in 2017, the Nomination & Compensation Committee reviewed the total cash compensation and increased the base compensation of all existing Executive Committee members in 2018. At the same time, it reduced deferred cash payments to a similar degree, which resulted in largely stable year-on-year total cash compensation development.

Exhibit 5: 2018 short-term incentives

Total short-term incentives			
(in CHF million)	2017	2018	Deviation
Base salary	3.6	4.4	+22%
Deferred cash payments	5.1	4.5	-12%
Total	8.7	8.9	+2%

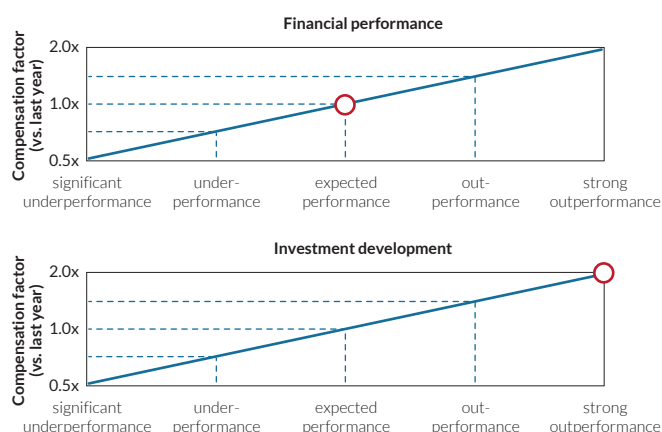
4.2. Long-term incentives

On aggregate, the Executive Committee was granted **MPP rights** valued at CHF 20.0 million (2017: CHF 13.7 million), representing an increase of 46%. The quantitative achievements in 2018 resulted in the following adjustments being made to the MPP allocation compared to the previous year (see Exhibit 6):

- **Financial performance:** in 2018, the financial performance met expectations and therefore resulted in a compensation factor of **1.0x**. The management fee EBITDA considered at the time by the Nomination & Compensation Committee grew by 9%, which was in line with 2018 expectations of ~10%.
- **Investment development:** in 2018, investment development strongly exceeded expectations and therefore resulted in a compensation factor of **2.0x**. The increase was mainly due to the firm's strong investment activities in the year under review. In fact, the performance-fee weighted investment volume in 2018 increased by over 100%.

For the 2018 MPP allocation, the quantitative assessment resulted in an indicative average allocation of approximately 1.50x previous year's MPP allocation. This means the 2018 MPP allocation should be ~50% higher than the 2017 MPP allocation.

Exhibit 6: 2018 quantitative assessment



In 2018, the Executive Committee also achieved its qualitative goals relating to the implementation of the firm's strategy and leadership goals (see Exhibit 4). In particular, the following sub-goals were assessed by the Nomination & Compensation Committee in detail:

- **Strategy implementation:** (1) building out our longer-term, business-oriented entrepreneurial governance approach, (2) initiating our Long-Term Entrepreneurial Ownership program on assets that represent longer-term investment opportunities and (3) further developing our next generation mandate solutions allowing clients to strategically build up private markets exposure over the long term.
- **Leadership achievements:** (1) further strengthening our approach to ownership excellence in light of our platform growth to over 1'200 employees worldwide and (2) bringing our leadership development program to the next level with a particular focus on people leadership and talent development.

The qualitative assessment performed by the Nomination & Compensation Committee revealed that both factors, strategy implementation and leadership achievements, did not warrant an adjustment to the proposed average of approximately 1.50x the previous year's MPP allocation.

Compensation Report

4.3. Co-CEO compensation

The performance awards for the Co-CEOs are based on similar performance targets at group- and Executive Committee-level as shown in Exhibit 4. In 2018, there was no change to the Co-CEOs' total cash compensation. Both Co-CEOs met group- and Executive Committee-level targets. While the base salary of both Co-CEOs increased by CHF 0.15 million to CHF 0.65 million each, their deferred cash payment was reduced by the same amount. The total cash compensation therefore remained flat and amounted to CHF 1.50 million each in 2018 (2017: CHF 1.50 million).

The 2018 MPP grant for each Co-CEO amounted to CHF 3.50 million (2017: CHF 2.32 million) and increased by 51%. This increase is in line with the overall increase of the MPP allocation of the Executive Committee (+46%) and a reflection that the Nomination & Compensation Committee did not apply any qualitative adjustments for the MPP grants of the Co-CEOs in 2018.

4.4. Highest paid Executive Committee member in 2018

The highest paid Executive Committee member in 2018 was David Layton, who became Co-CEO as of 1 January 2019. For 2018, David Layton was awarded total short-term incentives of CHF 1.28 million (2017: CHF 1.26 million) and total MPP rights in the value of CHF 4.50 million (2017: CHF 3.38 million).

In determining these awards, the Nomination & Compensation Committee took into account the significant contribution of David Layton to the firm in his role as Head Private Equity. His department experienced a record investment year in 2018 and is currently Partners Group's largest asset class by AuM.

4.5. Compensation caps

The 2018 compensation for the Executive Committee did not exceed our defined compensation caps. For consistency reasons, we continue to calculate compensation caps in relation to the base salaries of an individual member of the Executive Committee. The ratio between the Executive Committee members' short-term deferred cash payment compared to their base salary ranged from 1.0x to 1.5x in 2018 (cap = 3x). The ratio between the committee members' MPP compared to their base salary ranged from 2.5x to 9.2x in 2018 (cap = 10x). These ratios exclude any other benefits (social security and pension contributions) and show the varying compensation levels among individuals based on their function, achievements and responsibility. For instance, the Co-CEOs earned 1.3x their base salary as a deferred cash payment (cap = 3x) and 5.4x their base salary in MPP rights (cap = 10x).

4.6. Executive Committee loans (audited)

Executive Committee members may apply for loans and fixed advances, subject to an internal review and approval process. As of 31 December 2018, no loans were outstanding to either current or former Executive Committee members or to a related party of a current or former Executive Committee member.

4.7. Employee contracts (audited)

Employee contracts have no special provisions such as severance payments, "golden parachutes", reduced stock and/or options and MPP vesting periods etc. in place in case of the departure of an Executive Committee member. Individual settlements will always be subject to the review and approval of the Nomination & Compensation Committee. Partners Group did not make any such payments to current Executive Committee members in 2017 and 2018.

Compensation Report

Exhibit 7: Composition of the Executive Committee 2018 and functions of its members

Name	Joined Partners Group in	Nationality	Age	Position
André Frei	2000	Swiss	43	Co-Chief Executive Officer
David Layton	2005	American	37	Co-Chief Executive Officer and Head Private Equity ²⁾
Christoph Rubeli ¹⁾	1998	Swiss	57	Co-Head Entrepreneurial Governance / Operating Directors ²⁾
Juri Jenkner	2004	German	43	Head Private Infrastructure
Andreas Knecht	2009	Swiss	49	Chief Operating Officer and General Counsel
Marlis Morin	2003	Swiss/Italian	48	Head Client Services
Dr. Michael Studer	2001	Swiss	46	Chief Risk Officer and Head Portfolio Solutions

1) Member until 31 December 2018.

2) Effective from 1 January 2019, David Layton, Partner and Head Private Equity, succeeded Christoph Rubeli as Co-Chief Executive Officer.

Exhibit 8: Executive Committee compensation for the full-year 2018 (audited)

In thousands of Swiss francs									2018
	Base salary (cash)	Other ¹⁾	Deferred cash	Subtotal short term	Options/shares	MPP ²⁾	MCP	Total	
André Frei, Co-Chief Executive Officer	650	134	850	1'634	-	3'500	-	5'134	
Christoph Rubeli, Co-Chief Executive Officer ³⁾	650	61	850	1'561	-	3'500	-	5'061	
David Layton, Head Private Equity ⁴⁾	489	55	734	1'278	-	4'500	-	5'778	
Total Executive Committee	3'689	647	4'534	8'870	-	20'000	-	28'870	

1) Other compensation includes payments by Partners Group for pension and other benefits such as social security payments.

2) Fair value of Management Performance Plan (MPP) as outlined in Appendix A.2.1

3) Member until 31 December 2018.

4) Effective from 1 January 2019, David Layton, Partner and Head Private Equity, succeeded Christoph Rubeli as Co-Chief Executive Officer.

Exhibit 9: Executive Committee compensation for the full-year 2017 (audited)

In thousands of Swiss francs									2017
	Base compensation (cash)	Other compensation ¹⁾	Subtotal fixed compensation	Variable compensation (cash bonus)	EPP/MIP	MPP ²⁾	MCP ³⁾	Total ⁴⁾	
André Frei, Co-Chief Executive Officer	500	133	633	1'000	-	2'323	-	3'956	
Christoph Rubeli, Co-Chief Executive Officer	500	132	632	1'000	-	2'323	-	3'955	
David Layton, Head Private Equity	394	30	424	837	200	3'380	-	4'840	
Total Executive Committee	2'894	712	3'606	5'137	900	13'729	-	23'372	
Former members of the Executive Committee⁵⁾	2'956	656	3'612	3'215	450	-	13'782	21'059	
Total Executive Committee incl. former members	5'849	1'368	7'217	8'352	1'351	13'729	13'782	44'431	

1) Other compensation includes payments by Partners Group for pension and other benefits such as social security payments.

2) Fair value of Management Performance Plan (MPP) as outlined in section A.2.1.

3) Figures above are presented for illustrative purposes only to increase transparency. Actual values depend on the future performance of the investments attributable to the financial year 2017. For the table above, for each 1% of carry pool allocation the Group assumed an expected payout range from CHF 0 to CHF 6'822 thousand and used CHF 4'548 thousand as a base scenario for illustrative purposes. Amounts disclosed use average daily foreign exchange rates (i.e. CHF/USD).

4) Figures above exclude discounted fees for investments made alongside investors in Partners Group's open-ended investment programs under the firm's Employee Investment Program (EIP). Including these accrued but not yet paid items the total compensation for the entire Executive Committee amounts to CHF 44'445 thousand, including CHF 13 thousand for EIP. There is no change to the total compensation of André Frei, Christoph Rubeli, and David Layton.

5) Members of the Executive Committee until 30 June 2017.

Compensation Report

5. Board compensation 2018

The Board consists of ten members, of whom six are classified as independent and four as executive members. Each Board member plays a very important role within the firm. Beyond their statutory duties, and supervisory and risk management tasks, these Board members contribute to Partners Group's growth and development by supporting the analysis of investment opportunities, networking with senior business leaders on behalf of the firm, working alongside client teams on business development and major client relationships, and actively contributing to the firm's corporate and cultural development.

The Board makes every effort to build a sustainable, entrepreneurial business over the long term for the benefit of its clients, employees and shareholders. It applies the same approach to the firm's governance as it does to the management of its portfolio companies, valuing a long-term approach when it comes to individual board- and management-led value creation projects.

5.1. Compensation framework 2018

The Board sets the compensation for its members at a level that reflects individual responsibility and contribution, as well as time allocated to the Board mandate.

Exhibit 10: Board compensation structure

Board membership functions	Cash & options (in CHF thousand)
Executive members of the Board	300 (excl. LTIs)
Independent member	100
Chairing of the Board	+150
Chairing of a Board committee	+50
Additional contribution to the firm	+>200

5.2. Executive Chairman of the Board

The Chairman's role at Partners Group requires a substantial commitment concerning time and involvement. Under the leadership of the Executive Chairman, **Steffen Meister**, the Board determines, among other things, the strategy of the firm and exercises ultimate supervision over management. The Chairman has a strategic project focus and drives forward business and corporate development (through his engagement as chair of the Strategy Committee) and is actively involved in the development of client-related initiatives (through his seat

on the Client Oversight Committee). He is, together with the Executive Committee, responsible for the development of the next generation of leaders and serves as a coach for the Executive Committee. The Chairman also takes an active role in representing the firm vis-à-vis regulators, key shareholders, investors, and other important external stakeholders.

The Chairman is paid an annual base Board fee of CHF 0.30 million (2017: CHF 0.30 million). In line with the group-level performance achievements determining the compensation of the Executive Committee and his contribution on Strategy Committee-level (Board sub-committee), the Chairman was granted MPP rights amounting to CHF 1.50 million (2017: CHF 0.95 million). This increase is in line with the overall increase of the MPP allocation to the Executive Committee and follows the same allocation methodology.

5.3. Executive members of the Board

There are an additional three executive members of the Board, **Dr. Marcel Erni** and Messrs. **Alfred Gantner** and **Urs Wietlisbach**, who are significant shareholders of the firm. Combined, they hold 30% of the firm's share capital. Each is a founding partner of the firm and dedicates a substantial amount of his time to the firm. Each executive member of the Board also plays an instrumental role in determining the firm's business and corporate strategy (through their seat on the Strategy Committee), in building out Partners Group's investment capacity (through their seat on the Investment Oversight Committee) and/or in driving forward major client relationships (through their seat on the Client Oversight Committee). The Nomination & Compensation Committee assesses their contribution to each committee throughout the year. Dr. Marcel Erni and Messrs. Alfred Gantner and Urs Wietlisbach were each awarded an annual base Board fee of CHF 0.30 million (2017: CHF 0.30 million) and an MPP award of CHF 1.00 million in 2018 (2017: CHF 0.63 million). This increase is in line with the overall increase of the MPP allocation of the Executive Committee and follows the same allocation methodology.

5.4. Independent members of the Board

Independent Board members receive their annual fixed compensation for their regular board work based on the framework outlined above. Select independent Board members may receive higher annual compensation should they take on additional tasks and significant responsibilities or take a more active role in the firm's ongoing business activities beyond the scope of the responsibilities expected from every Board member.

Compensation Report

The independent Board members who focus on their Board- and committee-related mandates at Partners Group are **Grace del Rosario-Castaño, Michelle Felman** and **Dr. Eric Strutz**. They are each paid CHF 0.15 million per annum for their Board contribution (CHF 0.10 million for their committee membership and CHF 0.05 million for chairing a committee), which was paid in cash and options delivered in one installment in the current board period. They did not receive any MPP and pension benefits.

Dr. Peter Wuffli acted as Vice Chairman and Lead Independent Director and was paid an annual base Board fee of CHF 0.10 million. He also received CHF 0.20 million for his additional contribution to the firm in his capacity as Vice Chairman, of which CHF 0.05 million was for his role as Chairman of the Board throughout the first four months of 2018 until the AGM in May. This brings his total compensation to CHF 0.31 million (including other compensation), which was paid in cash and options delivered in one installment in the current board period. Dr. Peter Wuffli did not receive any MPP.

Dr. Charles Dallara devoted a significant amount of his time to Partners Group, providing guidance on global client-related development initiatives through his seat on the Client Oversight Committee and supporting the firm's client relationship teams globally as well as the firm's investment activities in the US in his capacity as Chairman of the Americas. In 2018, Dr. Charles Dallara allocated less time to Partners Group compared to previous years. His compensation amounted to a total cash & option/share compensation of CHF 0.78 million (including other compensation). Dr. Charles Dallara did not receive any MPP.

Patrick Ward continued to dedicate a significant amount of his time to guide the firm on global client-related initiatives through his seat on the Client Oversight Committee. He further supported the firm's corporate development in the UK and the client relationship teams in the UK and Middle East in his capacity as Chairman UK and Middle East. The committee proposed to remunerate Patrick Ward for his efforts with total cash & option/share compensation of CHF 0.58 million (including other compensation). Patrick Ward did not receive any MPP.

Long-term option plans for independent Board members with a 5-year selling restriction

Independent Board members receive a part of their compensation in long-term options (see Exhibit 11). These long-term options feature a strike price set substantially above the share price when granted. They vest at grant date but have a five-year selling restriction.

The Nomination & Compensation Committee favors the asymmetric risk profile of this plan over a traditional (restricted) stock allocation. The committee is convinced that this plan discourages short-term and excessive risk taking and instead incentivizes independent Board members to focus on the long-term financial success of the firm on behalf of all shareholders.

If the company, and ultimately the stock price, underperforms, this will directly affect the Board member's compensation (50% of their compensation could be lost completely). In contrast, a sustainable long-term performance of the company provides stronger upside to the respective Board member.

5.6. Loans to the Board (audited)

Members of the Board may apply for loans and fixed advances, subject to an internal review and approval process. Loans are made on substantially the same terms as those granted to other employees. As of 31 December 2018, no loans were outstanding to either current or former Board members or to a related party of a current or former Board member.

5.7. Board contracts (audited)

Contracts with members of the Board have no special provisions such as severance payments, "golden parachutes", reduced stock and/or options and MPP vesting periods etc. in place in case of the departure of a Board member. Partners Group did not make any such payments to current members of the Board in 2017 and 2018.

Compensation Report

Exhibit 11: Board compensation for the full-year 2018 (audited)

In thousands of Swiss francs							2018
	Base salary (cash)	Other ¹⁾	Deferred cash	Subtotal short term	Options/shares	MPP ⁴⁾	Total ⁵⁾
Steffen Meister, Executive Chairman	300	56	-	356	-	1'500	1'856
Dr. Peter Wuffli, Vice Chairman	150	10	-	160	150 ³⁾	-	311
Dr. Charles Dallara	294	36	220	550	225 ²⁾	-	775
Dr. Marcel Erni	300	57	-	357	-	1'000	1'357
Michelle Felman	75	6	-	81	75 ³⁾	-	156
Alfred Gantner	300	69	-	369	-	1'000	1'369
Grace del Rosario-Castaño	75	6	-	81	75 ³⁾	-	156
Dr. Eric Strutz	75	6	-	81	75 ³⁾	-	156
Patrick Ward	300	23	-	323	250 ³⁾	-	573
Urs Wietlisbach	300	64	-	364	-	1'000	1'364
Total Board of Directors	2'169	334	220	2'723	850	4'500	8'073

1) Other compensation: other compensation includes payments by Partners Group for pension and other benefits. In particular, the following Board members received pension benefits: Dr. Marcel Erni, Alfred Gantner, Steffen Meister and Urs Wietlisbach. Dr. Charles Dallara received US health insurance payments amounting to CHF 29 thousand and Patrick Ward received UK national insurance payments amounting to CHF 7 thousand. The remaining payments to the following members of the Board exclusively represent social security costs in relation to their compensation: Dr. Charles Dallara, Michelle Felman, Grace del Rosario-Castano, Eric Strutz, Patrick Ward and Dr. Peter Wuffli.

2) Shares: Dr. Charles Dallara was allocated 337 PGH shares in the value of CHF 668.50 per share.

3) Options: each option has a strike price of CHF 800 and vests immediately. The selling restricting is 5 years. The number of options allocated to each Board member is as follows: Michelle Felman (2'219 options), Grace del Rosario-Castano (2'219 options), Eric Strutz (2'219 options), Patrick Ward (7'395 options) and Dr. Peter Wuffli (4'437 options). For further information on the fair value of options and shares granted in 2018, please see consolidated financial statement under 4.3.

4) Fair value of Management Performance Plan (MPP) as outlined in section A.2.1.

5) Total compensation of the Board, excluding social security costs represents CHF 7.9 million and lies within the approved compensation budget at the 2018 AGM of shareholders in May.

Exhibit 12: Board compensation for the full-year 2017 (audited)

In thousands of Swiss francs							2017
	Base compensation (cash)	Other compensation ¹⁾	Subtotal fixed compensation	Variable compensation (cash bonus)	EPP/MIP	MPP ²⁾	Total ³⁾
Dr. Peter Wuffli, Chairman	150	10	160	-	350	-	510
Dr. Charles Dallara, Vice Chairman	492	29	521	394	400	-	1'315
Dr. Marcel Erni	300	49	349	-	-	634	982
Michelle Felman	75	6	81	-	75	-	156
Alfred Gantner	300	67	367	-	-	634	1'000
Steffen Meister	300	48	348	-	-	951	1'299
Grace del Rosario-Castaño	75	6	81	-	75	-	156
Dr. Eric Strutz	75	6	81	-	75	-	156
Patrick Ward	300	25	325	-	250	-	575
Urs Wietlisbach	300	54	354	-	-	634	988
Total Board of Directors	2'367	300	2'667	394	1'225	2'852	7'137

1) Other compensation includes payments by Partners Group for pension and other benefits.

2) Fair value of Management Performance Plan (MPP) as outlined in section A.2.1.

3) Figures above exclude discounted fees for investments made alongside investors in Partners Group's open-ended investment programs under the firm's Employee Investment Program (EIP). Including these accrued but not yet paid items the total compensation for the entire Board of Directors amounts to CHF 7'319 thousand, including CHF 181 thousand for EIP. Total compensation of individual Board members: Dr. Marcel Erni, CHF 1'033 thousand (EIP: CHF 51 thousand); Alfred Gantner, CHF 1'009 thousand (EIP: CHF 8 thousand); Steffen Meister, CHF 1'303 thousand (EIP: CHF 4 thousand); Urs Wietlisbach, CHF 1'106 thousand (EIP: CHF 118 thousand).

Compensation Report

6. Considered compensation adjustments 2019

We strive to continuously improve our compensation framework in order to create value for our shareholders in the long run and we will therefore consider further potential amendments to the compensation for the Executive Committee and the Board. Current focus areas of the Nomination & Compensation Committee are outlined below.

6.1. Cash compensation for the Executive Committee

The Nomination & Compensation Committee plans further amendments to the cash compensation of the Executive Committee. It does not intend to change the overall amount of compensation but proposes shifts in the cash compensation, i.e. to give an equal weight to base salaries and deferred cash payments.

The deferred cash compensation is awarded at year-end to individual members of the Executive Committee. The individual deferred cash compensation set by our compensation framework is intended to be stable and predictable and only adjusted downwards in the case of significant underperformance of the firm or on individual level.

In combination with this adjustment, the Nomination & Compensation Committee will amend the caps on STIs (deferred cash compensation) from currently 3.0x to 2.0x the base salary. Caps on LTIs will remain at 10x the base salary.

Exhibit 13: Cash compensation for Executive Committee members in 2019 (in thousand)

Function	Base salary	Targeted deferred cash compensation	Total cash compensation
2018			
Co-CEO	CHF 650	CHF 850	CHF 1'500
2019			
Co-CEO _{CH}	CHF 750	CHF 750	CHF 1'500
Co-CEO _{USA}	USD 750	USD 750	USD 1'500
Executive Committee	CHF 500	CHF 500	CHF 1'000
	USD 500	USD 500	USD 1'000

6.2. Compensation of independent Board members

For 2019, the Board plans to amend the compensation framework for independent Board members and propose a more detailed module-based approach to compensation. This approach will transparently outline the compensation considerations for independent Board members concerning

their time allocation to their committee work. The new module-based compensation approach will also consider their additional contribution to the firm's business and thereby focus on their respective responsibilities and the time they allocate to these. In general, it is planned that independent Board members will continue to receive a part of their compensation in cash and a part in a long-term option plan.

6.3. Further optimize MPP to continue to provide superior and sustainable total shareholder return

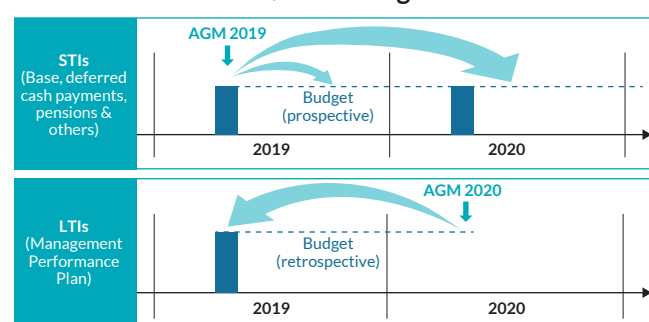
The Nomination & Compensation Committee plans to consider smaller amendments to the MPP to further align it with the interests of clients and shareholders. With this in mind, the committee plans to optimize the parameters of performance rights (see Appendix A.2.), which are required to determine the intrinsic value of MPP rights. Secondly, the committee will review the weighting of these rights.

6.4. Preview of compensation budgets/AGM voting procedure

In 2018, we prospectively asked shareholders for the approval of one single compensation budget for the Executive Committee and the Board. Shareholders voted on a combined budget that encompasses base salaries, deferred cash payments and MPP.

In 2019/2020, we would like to separate the compensation budgets. We will therefore ask shareholders at the 2019 AGM to vote prospectively on the cash compensation (STIs) and from the 2020 AGM onwards to vote retrospectively on the potential MPP allocations (LTIs). We believe this will allow shareholders to better evaluate the link between pay and performance.

Exhibit 14: AGM 2019/2020 budget considerations



Note: budget amounts exclude social security payments.

Compensation Report

7. Appendix

A1 Short-term incentives (STIs)

A.1.1. Base salary & benefits

Base salaries for all employees are based on an individual's role and level of responsibility for the upcoming year and are typically only adjusted meaningfully with a change of role. They are paid on a monthly basis and reviewed annually.

The primary purpose of benefits such as pension and insurance plans is to establish a level of security for employees and their dependents with regard to the major economic risks of sickness, accident, disability, death and retirement. The level and scope of pension and insurance benefits provided is country-specific and influenced by local market practice and regulations.

A.1.2. Deferred cash compensation

The deferred cash compensation is awarded at year-end to the Executive Committee. The individual deferred cash compensation set by our compensation framework is intended to be stable and predictable. However, the Nomination & Compensation Committee applies an appropriate degree of discretion and will have the ability to make further adjustments to the overall deferred cash compensation in crisis years and/or during non-ordinary circumstances (e.g. one-timer events may skew financial performance disproportionately in a given year).

Any adjustments to the deferred cash pool made by the Nomination & Compensation Committee will be made transparent to shareholders.

Executive Committee members are typically notified of their deferred cash compensation at year-end and receive their payments the following February.

A.2. Long-term incentives (LTIs)

A.2.1. Management Performance Plan (MPP)

The MPP consists of a performance right (component 1), which focuses on the firm's share performance, and a performance fee component (component 2), which focuses on active value creation in the firm's underlying investment programs. Achieving only one component while not the other results in no payout. Any payout will be in a number of restricted Partners Group shares in the value of the respective payout.

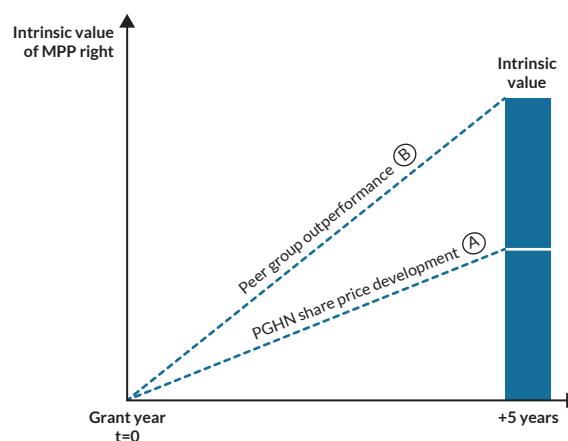
Component 1: share price development (year 1 to 5)

As a public firm, we aim to provide superior and sustainable total shareholder return and ensure that senior executives place an emphasis on positive share price development over the mid- to long-term. We therefore link component 1 of the MPP to the development of the share price of Partners Group Holding AG (ticker: PGHN):

- on an absolute basis (increase of share price over a period of five years); and
- on a relative basis (outperformance over a benchmark index over a period of five years).

The intrinsic value of these MPP rights will be measured five years after the grant date. On this date, we measure the absolute performance of the share price ("A" in Exhibit 15) and its outperformance over the benchmark index ("B" in Exhibit 15). We believe that measuring performance over an extended five-year period is consistent with the long-term orientation of the firm's business.

Exhibit 15: Determining intrinsic value of MPP rights



50% of the grant value of these MPP rights relates to absolute shareholder return, while the remaining 50% relates to a total return outperformance against the benchmark, the S&P Listed Private Equity Index. We believe that the S&P Listed Private Equity Index is the closest industry benchmark and that it therefore represents the best proxy to measure Partners Group's relative performance within the private markets industry.

Compensation Report

(A) Share price performance (50% of grant value)

- Company: Partners Group Holding AG
- Ticker (BB): PGHN Performance: price return
- Valuation date: 5 years after grant
- Intrinsic value: difference between share price in 2023 vs. share price in 2018

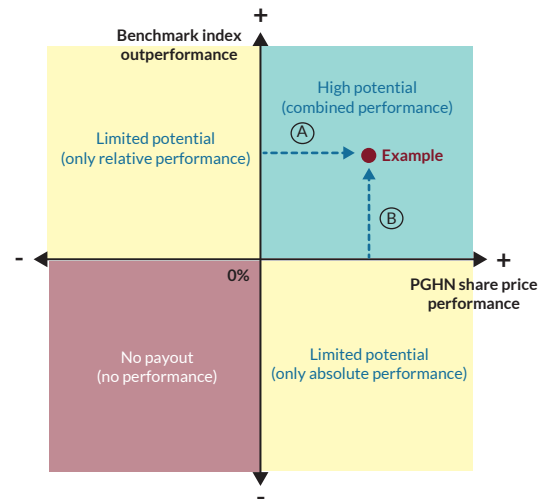
(B) Outperformance against benchmark (50% of grant value)

- Index: S&P Listed Private Equity Index
- Ticker (BB): SPLPEQTY
- Performance: total return outperformance
- Valuation date: 5 years after grant
- Intrinsic value: difference between the total return of PGHN shares between 2018 and 2023 vs. total return of index during the same period multiplied by the share price at grant

Exhibit 16 illustrates how the intrinsic value of the share component of the MPP rights is determined. It depends on both the absolute share price performance and outperformance over a benchmark index. Plan participants will not receive any payout in the event of negative stock price performance combined with underperformance against the benchmark.

In contrast, their MPP rights will increase most in value if both performance criteria are met, i.e. the share price performs in absolute terms ("A" in Exhibit 16) and outperforms against the benchmark index ("B" in Exhibit 16). Should only one of the two performance criteria be met, the intrinsic value of the MPP rights will be lower.

Exhibit 16: Illustration of the different scenarios that determine the intrinsic value of MPP rights



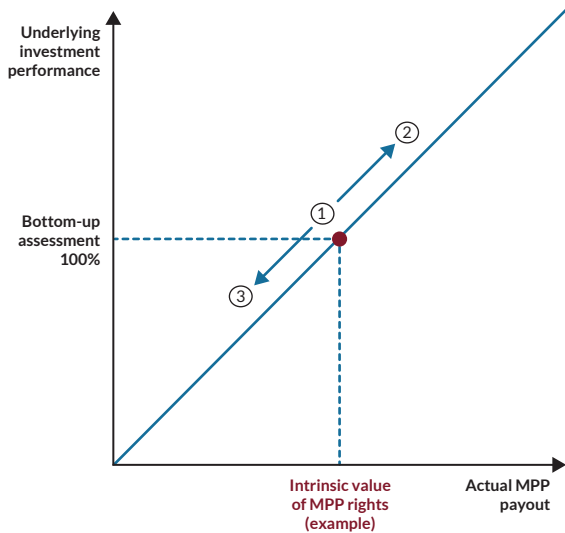
Component 2: performance fee achievement (year 5 to 14)

While component 1 focuses on the absolute and relative share price development in order to determine an intrinsic value, component 2 focuses entirely on how the intrinsic value of MPP rights after five years will be paid out in the following years (in the form of restricted Partners Group shares). In other words, component 2 sets the framework for the magnitude and timing of the payout. Both magnitude and timing are dependent on the actual performance fees that the firm generated from the particular year in which MPP rights were granted.

- **Magnitude:** the magnitude ultimately depends on the actual performance fees that the firm is able to generate from its 2018 investment vintage throughout the next 15 years. For that purpose, the firm defines a target that is based on ex ante model returns. This target is set at 100% and needs to be achieved over a time period of 15 years ("1" in Exhibit 17). For example, if the intrinsic value of MPP rights is 100 and 100% of the expected performance fees are actually paid to the firm, the plan participant receives Partners Group shares in the value of 100. The total payout can be higher than the originally expected nominal amount in the case of consistent investment performance above underlying assumptions ("2" in Exhibit 17), or lower than the originally anticipated nominal amount in the case of lower investment performance ("3" in Exhibit 17). In the worst case scenario, the amount can be zero, irrespective of the intrinsic value determined through component 1.

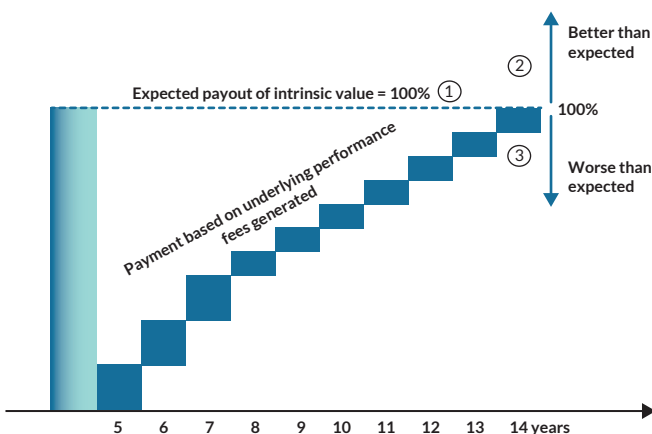
Compensation Report

Exhibit 17: Illustration of actual MPP payout based on underlying investment performance



- Timing:** the MPP payout occurs as the performance fees of the underlying investment vintage materialize, as illustrated in Exhibit 18. After each year, we compare the actual proportion of performance fees generated against the defined target. We then pay out the same proportion of the intrinsic value of the MPP grant in the form of restricted shares. For example, should the 2018 investment year pay out 15% of its anticipated total payout (100%) in 2023, we would pay out 15% of the intrinsic value of MPP rights determined in component 1 to plan participants in the form of Partners Group shares in 2023.

Exhibit 18: Illustration of actual MPP payout based on underlying investment performance

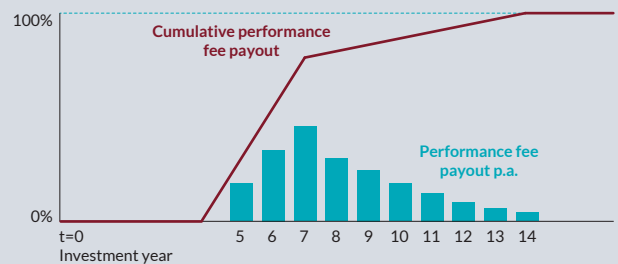


Illustrative example: performance fee payout structure of the 2018 investment year

Future potential performance fees will depend on investments made between Q4 2017 and Q3 2018 (“2018 investment year”). Once profitable investments have been realized, cash is first distributed to the investors in our investment programs.

Only once the hurdle rate that was agreed with the firm’s clients has been cleared (i.e. the client has already achieved a certain predefined minimum return, typically 8% p.a.) will a part of the investment profits be distributed to the firm (in the form of performance fees). Depending on the investment outcomes and timing of the investment realizations, it often takes up to 14 years until the full payout of performance fees is received, as illustrated in Exhibit 19.

Exhibit 19: Possible payout pattern of performance fees under MPP



Vesting parameters

The MPP grants vest linearly over a period of five years. For members of the Executive Committee and executive members of the Board, the linear vesting is subject to a minimum five-year tenure in the respective committee. Before that, it has a five-year cliff vesting attached. Any holder of unvested MPP rights leaving the Group has the obligation to render his or her unvested interest back to the company. The plan thereby encourages employees to remain with the firm in the long term.

In summary, Exhibit 20 illustrates the two components and stringent performance conditions that have to be fulfilled over the medium to long term so that plan participants can receive their MPP payout in the form of shares. Any share settlement is followed by a two-year selling restriction.

Compensation Report

Further information on Partners Group's share-based payment plan can be found in section 4 of the notes to the consolidated financial statements included in the 2018 Annual Report.

Vesting rules in case of retirement

The vesting parameters of the firm's LTIs are rather stringent and long-term focused, even compared to industry peers. While any holder of unvested LTIs who leaves the firm has the obligation to render his or her unvested interests back to the firm, there are special vesting rules in the case an employee is coming up to retirement.

Given that the firm aims to foster a performance-oriented work environment, senior employees of the firm receive the majority of their compensation in LTIs with long vesting periods. This is also the case for employees nearing their retirement. This can result in senior employees entering their retirement with a meaningful portion of unvested LTIs.

In order to ensure that senior employees continue to contribute to the firm's success until their retirement, the Nomination & Compensation Committee has established special vesting rules for senior employees heading towards their retirement.

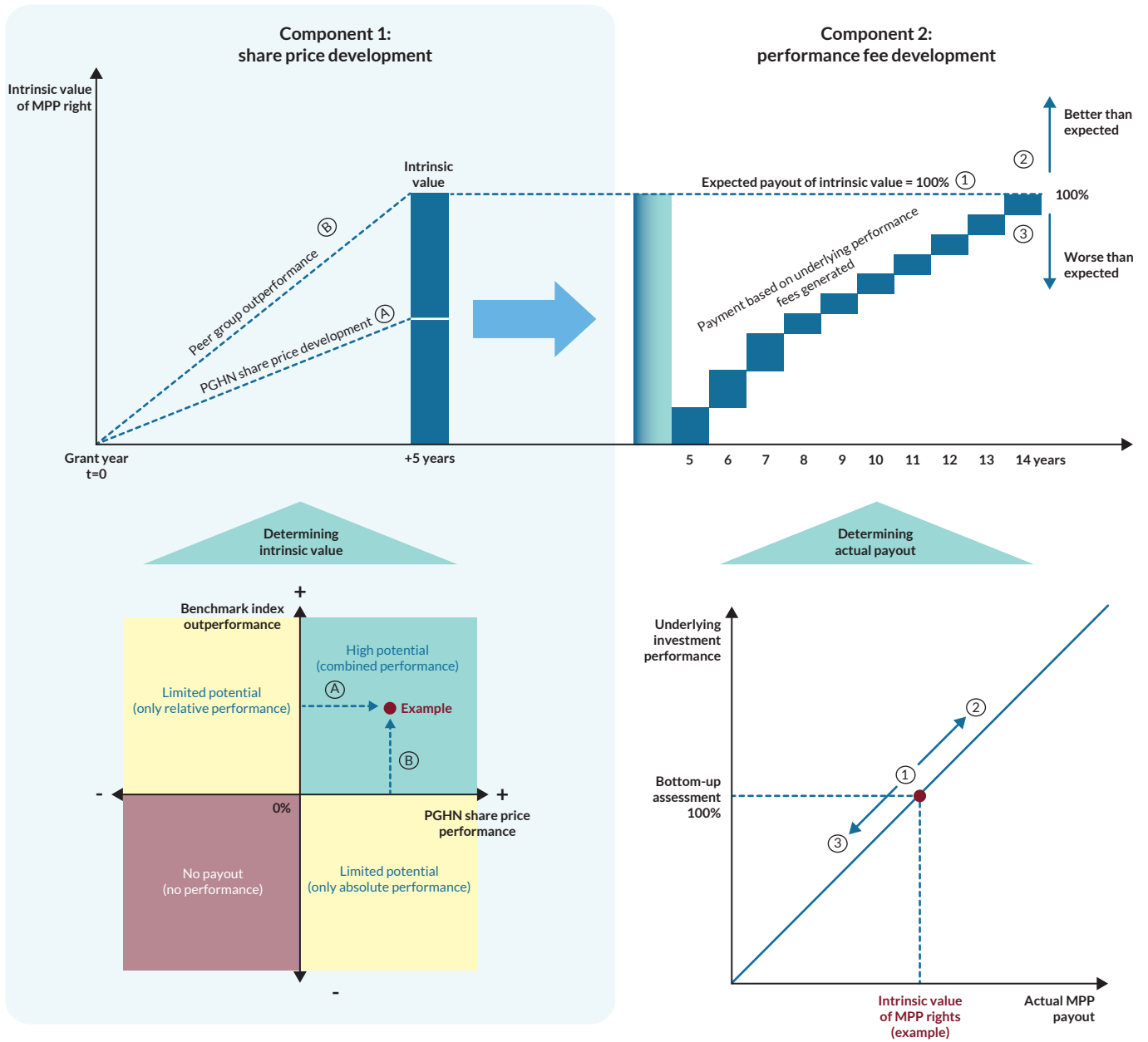
At the time of retirement, all LTIs for Executive Committee members and executive members of the Board shall be deemed to have fully vested and become unrestricted, provided that the employee has reached the age of 55 and has served the firm for ten years or more as a Managing Director/Partner.

The vesting relief is subject to the following conditions: the employee is considered a good leaver, agrees to sign a two-year non-compete agreement and will have no new principal employment in the private markets industry.

The Nomination & Compensation Committee may use its discretion to make further adjustments to the rules outlined above on a case-by-case basis in order to achieve the best result for both the business and the employee coming up to retirement.

Compensation Report

Exhibit 20: Overview of MPP components and different scenarios that determine MPP payout



Compensation Report

A.3. Compensation governance

A.3.1. Legal framework

The Swiss Code of Obligations as well as the Corporate Governance Guidelines of the SIX Swiss Exchange require listed companies to disclose information about the compensation of members of the Board and Executive Committee, their equity participation in the firm and any loans made to them. This Annual Report fulfills that requirement. In addition, this Annual Report is in line with the principles of the Swiss Code of Best Practice for Corporate Governance of the Swiss Business Federation (economiesuisse).

A.3.2. Compensation decision-making authorities

Compensation allocation is an important and challenging governance and leadership task. As such, Partners Group's Board assigns the Nomination & Compensation Committee with the task of carrying out a systematic process on an annual basis. The Committee has combined responsibilities for "nomination" and "compensation" proposals, as both are an integral and closely linked part of a typical compensation consideration.

The nomination process ensures the assessment and nomination of individuals is based on their contribution to the firm's success and on their potential for development, while the compensation process ensures the respective adjustments to compensation based on functions, responsibilities and performance. Giving one committee responsibility for both the nomination and compensation processes should ensure a seamless transition between a professional's development and compensation.

The Nomination & Compensation Committee fulfills the duties set out for it in the firm's articles of association. In particular, the committee oversees the firm's compensation structure to ensure adherence to Partners Group's strategy and culture and to recognized best practices:

- It reviews compensation proposals by the Executive Committee to ensure they comply with determined principles and performance criteria and evaluates the proposals' consistency with the firm's values, such as "fair pay" and "pay for performance."
- It advises and supports the Board and the Executive Committee with regard to firm-wide promotions, leadership development measures and succession planning.
- It submits nomination and compensation motions and recommendations to the Board and is also responsible for the preparation of this Compensation Report (see Exhibit 21).

A.3.3. Committee members

As of 31 December 2018, the members of the Nomination & Compensation Committee were Grace del Rosario-Castaño (Chair) and Dr. Peter Wuffli. According to the independence criteria outlined in our Corporate Governance Report (section 3), Grace del Rosario-Castaño and Dr. Peter Wuffli are independent Board members. The members were elected by shareholders for a one-year term with the possibility of re-election.

A.3.4. Committee meetings & decisions taken

Throughout the year, members of the Nomination & Compensation Committee interact with the Chairman, the Co-CEOs and other members of the Executive Committee on a regular basis. Throughout 2018, formal and informal meetings were held with a wide group of the firm's senior leaders to discuss compensation budgets, department bonus allocation plans, promotion criteria and other compensation-related topics.

Typically, the Nomination & Compensation Committee interacts via informal meetings throughout the year and holds two formal decision meetings in the second half of the year:

- In its first formal meeting (Q3), the Nomination & Compensation Committee confirms the budget allocations for STIs (deferred cash payments) and LTIs (MPP). During the meeting, the committee defines guidelines for the allocation of the various compensation pools.
- In its second formal meeting (Q4), the Nomination & Compensation Committee approves the compensation proposal for the Executive Committee and Global Executive Board members and proposes the compensation for the Co-CEOs and Board members. Compensation authorities are outlined in Exhibit 21. Partner- and Managing Director-level promotions and compensation are ratified individually.

A.3.5. Nomination & Compensation Committee composition 2019

In 2019, the Board will propose two additional independent members of the Board to also become members of the Nomination & Compensation Committee. Dr. Peter Wuffli, currently member of the Nomination & Compensation Committee, will retire from the Board as of 15 May 2019.

Compensation Report

Exhibit 21: Approval authorities

Compensation pools	Budget/proposal		Approval	
Board of Directors, Executive Committee	NCC	Q4	Shareholders' AGM	May
Group-level budget	NCC	Q3	Board of Directors ratifies	Q4
Department-level budget	Chairman & Co-CEOs	Q3	NCC approves	Q4

Individual compensation	Budget/proposal		Approval	
Chairman of the Board of Directors	Chair of the NCC	Q4	Board of Directors approve	Q4
Members of the Board of Directors	NCC	Q4		
Co-CEOs				
Executive Committee, Global Executive Board	Chairman & Co-CEOs	Q4	NCC approves, Board of Directors ratifies	Q4
Other professionals	Executive Committee	Q4		

Note: in the case of approving the Chairman's compensation and the additional fees for the Nomination and Compensation committee members, the Board member concerned does not participate in the recommendation involving his or her own compensation.

A.4 Review: binding budgets 2014-2017 vs. actual payouts

With the introduction of the Ordinance against Excessive Compensation in listed joint stock companies ("OaEC") of the Swiss Federal council, shareholders can express a binding vote on the compensation of the Board of Directors and Executive Committee as of the financial year 2014 onwards.

As of 31 December 2018, the actual payout to current and former executive Committee member or to executive members of the Board has been less than the approved budgets between 2014 and 2017.

Compensation Report



Statutory Auditor's Report

To the General Meeting of Partners Group Holding AG, Baar

Report on the Audit of the Compensation Report

We have audited the accompanying compensation report of Partners Group Holding AG for the year ended 31 December 2018. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in sections 4.6 to 4.7 and exhibits 8 to 9 on pages 134 and 135 as well as sections 5.6 to 5.7 and exhibits 11 and 12 on pages 137 to 138 of the compensation report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the compensation report for the year ended 31 December 2018 of Partners Group Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Thomas Dorst
Licensed Audit Expert
Auditor in Charge

Philipp Rickert
Licensed Audit Expert

Zurich, 6 March 2019

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

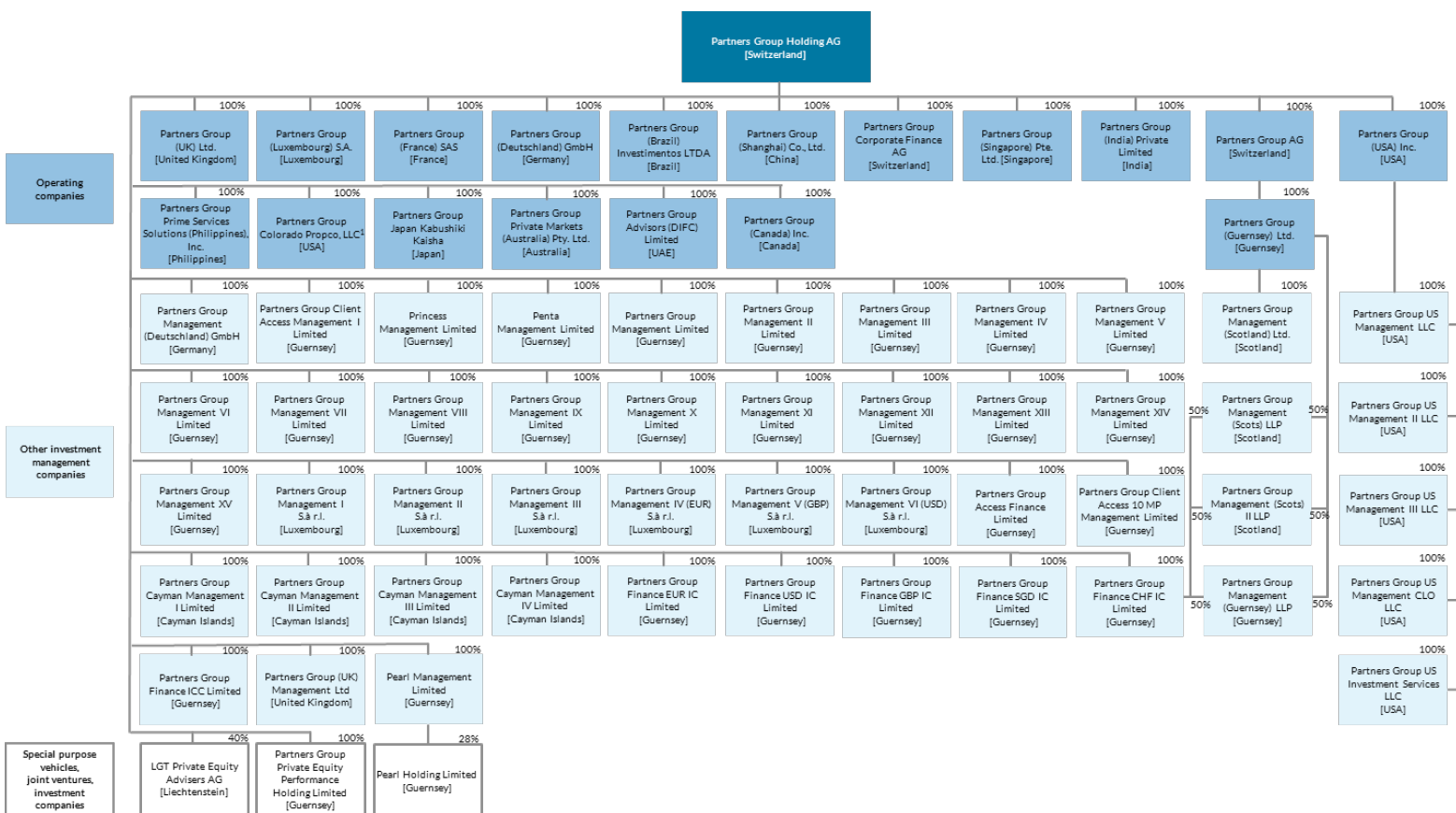
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Corporate Governance Report

Partners Group is committed to meeting high standards of corporate governance, with the aim of guiding the firm to further success. Partners Group prepares its Corporate Governance Report according to the “Directive on Information relating to Corporate Governance” issued by the SIX Exchange Regulation and also takes into account the “Swiss Code of Best Practice for Corporate Governance” issued by economiesuisse. With entities regulated in various jurisdictions, including the Swiss Financial Market Supervisory Authority (FINMA), the U.S. Securities and Exchange Commission (SEC), the Financial Conduct Authority (FCA) and the Monetary Authority of Singapore (MAS), we further uphold the requirements that these regulations imply. The corporate governance section contains information on the following:

1. Group structure and shareholders
2. Capital structure
3. Board of Directors
4. Executive Committee
5. Global Executive Board
6. Compensation, shareholdings and loans
7. Shareholders’ participation rights
8. Changes of control and defense measures
9. Auditors
10. Information policy
11. Non-applicability/negative disclosure

In this Corporate Governance Report, references to “Partners Group”, the “firm”, the “company”, the “entity”, “we”, “us” and “our” are to Partners Group Holding AG together with its consolidated subsidiaries, unless the context requires otherwise.



1) Partners Group Colorado Propco, LLC was formed for the sole purpose of purchasing and owning land and property for Partners Group’s permanent office in Colorado, USA. As of 22 January 2019 (Partners Group). The purpose of the chart above is to provide an overview of the group structure of Partners Group Holding AG and its subsidiaries/affiliates. The ownership percentages reflected in the chart are meant for illustrative purposes and are rounded.

Corporate Governance Report

1. Group structure and shareholders

1.1. Group structure

1.1.1. Description

Partners Group operates through majority or wholly owned direct or indirect subsidiaries in Switzerland, the United States, the United Kingdom, Guernsey, Singapore and other jurisdictions. The chart on the previous page provides an overview of the group structure as of 22 January 2019.

1.1.2. Listed companies belonging to the Group

Partners Group Holding AG is a stock corporation incorporated under Swiss law with its registered office and headquarters at Zugerstrasse 57, 6341 Baar-Zug. The shares of Partners Group are listed pursuant to the International Reporting Standard on the SIX Swiss Exchange AG under the Valor number 2460882 and ISIN CH0024608827. The market capitalization of the company as of 31 December 2018 was CHF 15.9 billion. All other group companies are privately held.

1.1.3. Non-listed companies belonging to the Group

For more detailed information on the non-listed subsidiaries of the group, including names, domiciles, share capital and ownership interests, please see section 6 of the notes to the financial statements of Partners Group Holding AG in the Annual Report 2018. For more detailed information on the non-listed operating subsidiaries of the group, including principal activity, place of incorporation and ownership interests, please see section 17 of the notes to the consolidated financial statements in the Annual Report 2018.

1.2. Significant shareholders

Partners Group has the following significant shareholders holding over 3% of the shares and voting rights of the company as of 13 February 2019.

The founding partners and largest shareholders of Partners Group, Dr. Marcel Erni and Messrs. Alfred Gantner and Urs Wietlisbach ("the founding partners"), each hold 2'673'659 shares, corresponding to 10.01% each of the total share capital. On 3 December 2015, Dr. Marcel Erni and Messrs. Alfred Gantner and Urs Wietlisbach entered into a five-year derivative transaction. This derivative transaction concerns up to 4.1% of Partners Group's total share capital for each founding partner and involves so-called collars that expire on 17 June 2021. In order to coordinate the associated share transaction, the

founding partners entered into an organized group, comprising 12.37% (4.12% each) of the total share capital. Within this group, each member entered into a separate collar transaction, with Morgan Stanley & Co. International plc as counterparty, involving the purchasing of put options and the writing of call options. In parallel, and in relation to the collar transactions with Morgan Stanley & Co. International plc, the founding partners entered into a separate lock-up group which concerned the remaining shares of each founding partner not subject to the collar transaction. On 20 February 2017, the founding partners extended their existing derivative agreement concerning up to 4.1% of Partners Group's total share capital for each founding partner by another 0.9%. This transaction involves another collar that also expires on 17 June 2021, subject to early termination, including optional early termination by the three founding partners. This transaction does not intend any change in the size of the three founding partners' stakes in the Company during the period until the maturity of the collars.

On 13 February 2019, a group controlled by Morgan Stanley, c/o The Corporation Trust Company (DE), Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware, DE 19801, USA, disclosed shareholdings of 4'222'150 shares, corresponding to 15.81% of the total share capital.

In addition, on 2 September 2017, a group controlled by BlackRock, Inc., 55 East 52nd Street, New York, NY 10055, USA, disclosed an acquisition of shares resulting in a shareholding of 1'639'500 shares, corresponding to 6.14% of the total share capital.

On 27 November 2018, a group controlled by Allianz SE, 80802 Munich, Germany, disclosed shareholdings of 809'775 shares, corresponding to 3.03% of the total share capital.

As of 31 December 2018, Partners Group held 207'805 treasury shares, corresponding to 0.78% of the total share capital.

All disclosures according to art. 120 of the Financial Market Infrastructure Act (FMIA), including further details on the lock-up group and organized group referred to above as well as on option plans, can be found on the SIX Exchange Regulation homepage: www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

1.3. Cross-shareholdings

Partners Group has no cross-shareholdings of 5% or more with another company or group of companies.

Corporate Governance Report

2. Capital structure

2.1. Capital

The issued nominal share capital of Partners Group amounts to CHF 267'000, comprising 26'700'000 fully paid-in registered shares with a nominal value of CHF 0.01 each. Please see section 2.2 below for information on authorized and conditional capital.

2.2. Authorized and conditional share capital

Partners Group has no authorized share capital as of 31 December 2018 and no changes in capital have occurred during the last three years.

The Annual General Meeting (AGM) of shareholders held on 27 April 2007 approved the increase of the conditional share capital to a maximum of CHF 40'050, divided into 4'005'000 fully paid-in registered shares of a nominal value of CHF 0.01 each.

The share capital may be increased through the exercise of options granted to the members of the Board of Directors and employees of Partners Group in the aggregate amount of the conditional share capital. Preemptive rights and the shareholders' advance subscription rights are excluded in favor of the option holders. The Board of Directors will determine all details of the terms of any issue of conditional share capital, such as the amount of each issue, date of dividend entitlement, and kind of contribution, and will establish the related equity investment plan. The acquisition of the registered shares by exercising the option rights and the further transfer of the shares are subject to the transfer restrictions set forth in section 2.6.

2.3. Changes in capital

No changes in capital have occurred during the last three years.

2.4. Shares and participation certificates

Partners Group has issued 26'700'000 fully paid-in registered shares with a nominal value of CHF 0.01 each and transferability in accordance with our articles of association (available at <http://www.partnersgroup.com/articlesofassociation>), as described in section 2.6. The shares have been issued in the form of book-entry securities. Shareholders do not have the right to ask for printing and delivery of share certificates. A shareholder may, however, at any time demand that Partners Group issue a confirmation of such shareholder's holding.

Each share carries one vote at shareholders' meetings. All shares have equal rights. Voting rights and certain other non-economic rights attached to the shares, including the right to call and to attend shareholders' meetings, may be exercised only after a shareholder has been registered in the share register of Partners Group as a shareholder with voting rights. Such registration requires the approval of the Board of Directors and is restricted, see section 2.6. All shares are entitled to full dividend rights.

Partners Group has not issued (non-voting) participation certificates (*Partizipationsscheine*).

2.5. Dividend-right certificates

Partners Group has not issued any dividend-right certificates (*Genussscheine*).

Corporate Governance Report

2.6. Limitations on transferability and nominee registration

Any transfer of shares will not be recognized for the purpose of having voting rights with respect to such shares unless a transfer is approved by the Board of Directors. This limitation also applies to the establishing of a usufruct. If the application of a transferee for recognition is not declined by the Board of Directors within 20 days, this transferee is deemed to have been recognized as a shareholder. According to art. 6 of the articles of association, the Board of Directors may refuse to register a transferee as a shareholder with voting rights to the extent that said transferee's total shareholding would exceed 10% of the total share capital as registered in the commercial register. The Board of Directors may also refuse to register a transferee as a shareholder with voting rights if the transferee does not expressly declare that it has acquired the shares in its own name and for its own account. If the shares pass by inheritance or matrimonial property law, the transferee may not be refused as a shareholder with voting rights. Entries in the share register may be cancelled if they are based on false information on the part of the transferee.

Partners Group has issued special provisions for the registration of nominees. Nominees may be entered in the share register with voting rights for a maximum of 5% of the total share capital as set forth in the commercial register. The Board of Directors may allow a nominee to exceed this limit if such nominee discloses the name, address and shareholding of any person for whose account it is holding 0.5% or more of the share capital as set forth in the commercial register. The Board of Directors shall conclude agreements with such nominees concerning disclosure requirements, representation of shares and exercise of voting rights.

Any reversal or amendment of the statutory rules governing the transfer limitation require a quorum of at least two-thirds of the represented votes at the shareholders' meeting and the absolute majority of the represented nominal value of shares.

No exceptions to the limitations on transferability and nominee registration were granted during the financial year 2018.

2.7. Convertible bonds and options

Partners Group currently has no convertible bonds outstanding.

On 7 June 2017, Partners Group issued its first corporate bond, raising CHF 300 million through a fixed-rate senior unsecured CHF-denominated issue. The bond was issued with a seven-year term and a coupon of 0.15% and matures on 7 June 2024. Please see section 13 of the notes to the consolidated financial statements in the Annual Report 2018 for comprehensive information on the bond issued by the firm.

Since 30 June 2000, Partners Group has established regular share and option programs that entitle management personnel and a large number of employees to purchase and/or hold shares in the entity. The options can be settled either by the issuance of shares out of conditional share capital or by the delivery of existing shares (treasury shares). Please see section 4 of the notes to the consolidated financial statements in the Annual Report 2018 for comprehensive information on the share and option program of the firm.



























Partners Group has not issued any further options or warrants.

Corporate Governance Report

3. Board of Directors

The Board of Directors of Partners Group is entrusted with the overall strategy and direction of the company and with the supervision of its management. As of 31 December 2018, the Board of Directors consists of ten members. All members were elected by shareholders for a one-year tenure with the possibility of re-election.

The table below shows the current composition of the Board of Directors:

Name	Independent Director	Strategy Committee	Investment Oversight Committee	Client Oversight Committee	Risk & Audit Committee	Nomination & Compensation Committee
Steffen Meister, Chairman						
Dr. Peter Wuffli, Vice Chairman ¹⁾						
Dr. Charles Dallara ¹⁾						
Dr. Marcel Erni						
Michelle Felman ²⁾					2)	2)
Alfred Gantner						
Grace del Rosario-Castaño						
Dr. Eric Strutz						
Patrick Ward						
Urs Wietlisbach						
 Member	 Chair	 Lead Independent Director				

1) Dr. Peter Wuffli and Dr. Charles Dallara will retire from the Board of Directors. Therefore, they will not be eligible for re-election at the AGM to be held on 15 May 2019.

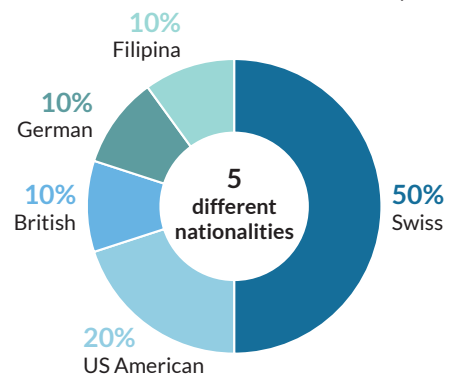
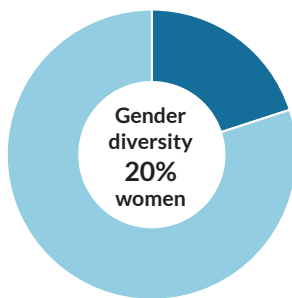
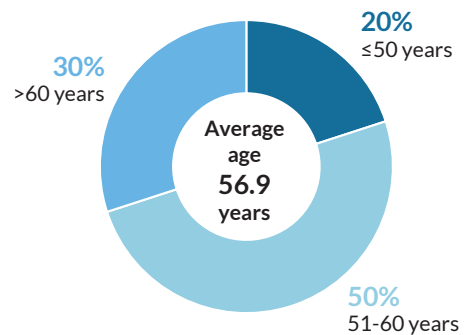
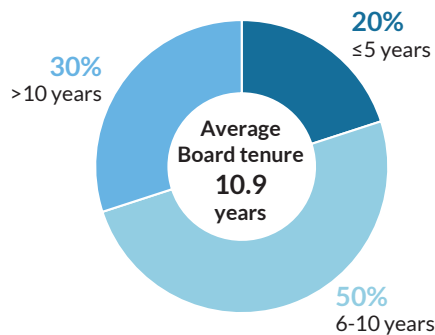
2) Michelle Felman will be proposed as a candidate for the Nomination & Compensation Committee at the AGM to be held on 15 May 2019. Subject to her election, the Board of Directors will propose Michelle Felman as a candidate for the Risk & Audit Committee.

Corporate Governance Report

All Board members exhibit:

- Strong alignment with shareholders
- Deeply active engagement with focus on value creation
- Bias towards trusted, long-term relationships
- A commitment to the long-term success of Partners Group
- A proven record of success
- High integrity
- Strong Board leadership skills in shaping and directing strategy
- Knowledge of corporate governance requirements and practices
- A commitment to sustainability and corporate responsibility extending beyond our direct stakeholders

Our Board members exhibit an effective and broad mix of skills, experience and diversity



■■■■■■■■■■ 9
Private markets industry know-how¹⁾



■■■■■■■ 5
Risk management experience³⁾



■■■■■■■■■■■■■■■■■■ 10
Broad international exposure⁵⁾



■■■■■■■■■■■■■■■■ 8
C-level experience²⁾



■■■■■■■■■■■■■■■ 7
Operational experience⁴⁾



■■■■■■■■■■■■■■■■■■ 9
Investment experience⁶⁾

1) Have had at least 5 years of experience in the private markets industry

2) Have had at least 5 years of C-level experience

3) Have had at least 5 years of involvement in risk management activities

4) Have had at least 5 years of operational experience (through line or general management roles that included profit and loss responsibility)

5) Have had at least 10 years of international business exposure

6) Have had at least 10 years of investment management experience

Corporate Governance Report

3.1. Members of the Board of Directors

All members of the Board of Directors of Partners Group Holding AG are also members of the Board of Directors of Partners Group AG. Individual members of the Board of Directors of Partners Group Holding AG are also members of the Board of Directors of other operating entities of the firm such as the Group entities in the UK, US and the Philippines.

The texts below provide information on the independence criteria for members of the Board of Directors and on the professional history and education of each member of the Board of Directors, including other significant activities in governing and supervisory bodies of important financial organizations, institutions and foundations under private and public law, permanent management and consultancy functions for important Swiss and foreign interest groups, official functions and political posts.

Independence statement for members of the Board

Best practice in corporate governance calls for the independence of selected Board members as an important element of its quality and integrity. However, codes of best practice, regulators and proxy advisors tend to use different criteria and no globally accepted standard has yet emerged. In addition, many of the suggested criteria follow formal legal or financial concepts that do not necessarily reflect the substantive independence in background, perspective and judgment of Board members that are conducive to high levels of quality and integrity in corporate governance. Finally, each company has its specific characteristics in terms of its business model and its governance and ownership structure as a result of which certain criteria take precedence over others.

Having reviewed a series of possible criteria from different sources, ranging from financial market authorities, other stock exchanges and codes of best practice to foundations and independent asset managers with a focus on sustainable corporate development, Partners Group recognizes differences in the definition of Board member independence. Some apply more formal criteria while others tend to focus more on substance. For example, more formal criteria for the definition of independence assess direct compensation received from the firm within a certain period of time or focus on the current employment status with the firm, whereas criteria that focus more on substance to determine independence also take into account specific circumstances, such as other functions a Board member performs for the firm. Partners Group follows the general corporate governance principle of “comply or explain” and therefore applies the following criteria to evaluate the independence of its Board members.

First and foremost, when searching for an additional external member of the Board, Partners Group looks for accomplished, distinctive and competent personalities who are respected based on their achievements, contribute relevant professional skills, commit substantial capacity and add to the diversity of the Board in terms of background and unbiased perspectives. In our view, these selection criteria represent the essence of true independence.

In addition, Partners Group applies several formal criteria for Board member independence:

- no line management function (i.e. positions with substantial decision-making authority) for Partners Group, or any of its affiliates, currently or in the prior three years;
- no employment or affiliation with our external auditor currently or in the prior three years;
- less than ten years as an existing Partners Group Board member.

The materiality of the following additional criteria is evaluated on a case-by-case basis:

- limited financial dependence on Partners Group in terms of employment, income and shareholding relative to an individual's overall situation; and
- no material direct or indirect business relationship with Partners Group or any of its affiliates (except as an investor in Partners Group products).

Whether or not a Board member has an employment contract with Partners Group, or any of its affiliates, the extent to which a Board member is active on behalf of Partners Group, and the level of compensation received from Partners Group are, in our assessment, not valid criteria to challenge independence. On the contrary, Partners Group appreciates active Board members and views high levels of involvement as valuable contributions to the quality and integrity of corporate governance.

As a result of this evaluation process (which is reviewed annually) we consider the following current Board members as independent: Dr. Charles Dallara, Michelle Felman, Grace del Rosario-Castaño, Dr. Eric Strutz, Patrick Ward and Dr. Peter Wuffli. Neither of the independent Board members, nor any of their close family members, have ever been members of the senior (executive) management of Partners Group, nor any of its subsidiaries, nor do they have any significant business connections with either Partners Group or one of its subsidiaries. None of the independent Board member exercise any official functions or hold a political post, nor do they have any permanent management/consultancy functions for significant domestic and foreign interest groups.

Corporate Governance Report

History and education of each member of the Board of Directors, including other activities and functions

Steffen Meister



Steffen Meister is a Partner of the firm and Executive Chairman of the Board of Directors of Partners Group Holding AG, based in Zug. Steffen Meister has been with Partners Group since 2000 and served as Delegate of the Board from 2013 to 2018 and as Chief Executive Officer from 2005 to 2013. Prior to joining Partners Group, he worked at Credit Suisse Financial Products and had assignments at Swiss Reinsurance Co. and the Department of Mathematics of the Swiss Federal Institute of Technology (ETH) in Zurich. He has 23 years of industry experience and holds a master's degree in mathematics from the Swiss Federal Institute of Technology (ETH), Switzerland.

Director since: 2013

Age: 48

Nationality: Swiss

Board Committees:

Strategy Committee (Chairman), Client Oversight Committee

Other board mandates:

Crossiety AG (Co-Founder and Chairman), FAIRTIQ AG

Key qualifications and skills



Private markets industry know-how



C-level experience



Risk management experience



Operational experience



Broad international exposure



Investment experience

Dr. Peter Wuffli



Dr. Peter Wuffli is the Vice Chairman and Lead Independent Director of the Board of Directors of Partners Group Holding AG. Previously, he served as the Chairman of the Board from 2014 to 2018. From 1984 to 1993, he worked for McKinsey & Company as a management consultant where he became a Partner and member of the Swiss office leadership team in 1990. In 1994, he joined the Swiss Bank Corporation (today UBS) as Chief Financial Officer. Following the merger of the Swiss Bank Corporation and the Union Bank of Switzerland in 1998, he continued to serve as Chief Financial Officer until 1999, when he became Chairman and CEO of UBS Global Asset Management. From 2001, he was President, and from 2003 onwards, Group CEO of UBS until his resignation in 2007. Dr. Peter Wuffli studied economics at the University of St. Gallen (HSG), Switzerland, where he gained his PhD in 1984.

Director since: 2009

Age: 61

Nationality: Swiss

Board Committees:

Strategy Committee, Risk & Audit Committee, Nomination & Compensation Committee

Other board mandates:

elea Foundation for Ethics in Globalization (Co-Founder and Chairman), Foundation and Supervisory Boards of IMD business school (Chairman), MAS International Advisory Panel, PG Impact Investment foundation (Board of Trustees), Zurich Opera House (Vice-Chairman)

Key qualifications and skills



Private markets industry know-how



C-level experience



Risk management experience



Operational experience



Broad international exposure



Investment experience

Corporate Governance Report

Dr. Charles Dallara



Dr. Charles Dallara is a Partner of the firm and an independent member of the Board of Directors of Partners Group Holding AG. He is also the Chairman of the Americas. Prior to joining Partners Group, he was the Managing Director and Chief Executive Officer of the Institute of International Finance. Previously, he was a Managing Director at J.P. Morgan & Co. In addition, he held the following positions in the George H.W. Bush and Ronald Reagan administrations: Assistant Secretary of the Treasury for International Affairs, Assistant Secretary of the Treasury for Policy Development and Senior Advisor for Policy to the Secretary of the Treasury, United States Executive Director of the IMF, and, concurrently, Senior Deputy Assistant Secretary of the Treasury for International Economic Policy and US Alternate Executive Director at the IMF. He has 43 years of industry experience and holds a Master of Arts, a Master of Arts in Law & Diplomacy and a PhD from the Fletcher School of Law and Diplomacy at Tufts University, Massachusetts, USA, and a bachelor's degree in economics from the University of South Carolina, USA.

Director since: 2013

Age: 70

Nationality: US American

Board Committees:

Client Oversight Committee

Other board mandates:

Middle East Investment Initiative (MEII), National Bureau of Economic Research (NBER) (Director at large), Scotiabank, Canada and Scotia Holdings (US) Inc.

Key qualifications and skills



Private markets industry know-how



C-level experience



Broad international exposure



Investment experience

Dr. Marcel Erni



Dr. Marcel Erni co-founded Partners Group in 1996. He is a Partner of the firm and an executive member of Partners Group Holding AG's Board of Directors, based in Zug. Previously, he served as the Chief Investment Officer of Partners Group until June 2017. Prior to founding Partners Group, he worked at Goldman Sachs & Co. and McKinsey & Co. He has 27 years of industry experience and holds an MBA from the University of Chicago Booth School of Business, Illinois and a PhD in finance and banking from the University of St. Gallen (HSG), Switzerland.

Director since: 1997

Age: 53

Nationality: Swiss

Board Committees:

Strategy Committee, Investment Oversight Committee

Other board mandates:

PG3 AG

Portfolio company board mandates:¹⁾

AMMEGA, Global Blue, GlobalLogic

Key qualifications and skills



Private markets industry know-how



C-level experience



Broad international exposure



Investment experience

¹⁾ Partners Group representatives are a member of the board of a portfolio company or a special purpose vehicle (SPV) established in connection with the respective investment.

Corporate Governance Report

Michelle Felman



Michelle Felman is an independent member of the Board of Directors of Partners Group Holding AG. She is a senior advisor to Turner Impact Capital, a US investment platform focused on social impact investing in education. Furthermore, she teaches at Columbia University in New York. From 1997 to 2010, Michelle Felman was Executive Vice President (EVP), Acquisitions and Capital Markets, at Vornado Realty Trust. Before joining Vornado, she was Managing Director, Global Business Development, at GE Capital, with responsibility for structuring and evaluating new markets and products globally (1994-1997). Prior to this, she spent three years in investment banking at Morgan Stanley. She has more than 28 years of experience in the real estate and investment business. She earned her undergraduate degree in economics from the University of California in Berkeley and her MBA from Wharton Business School at the University of Pennsylvania, USA.

Director since: 2016

Age: 56

Nationality: US American

Board Committees:
Investment Oversight Committee (Chairwoman)

Other board mandates:
Cumming, USA, JAM Holdings LLC (founder), Reonomy, Turner Impact Fund

Key qualifications and skills

Private markets industry know-how	Risk management experience	Operational experience
Broad international exposure	Investment experience	

Alfred Gantner



Alfred Gantner co-founded Partners Group in 1996. He is a Partner of the firm and an executive member of Partners Group Holding AG's Board of Directors, based in Zug. Previously, Alfred Gantner served as Chief Executive Officer of Partners Group from 1996 to 2005 and subsequently as Executive Chairman from 2005 to 2014. He was also Chairman of Partners Group's Global Investment Committee from 2011 until June 2017. Prior to founding Partners Group, he worked at Goldman Sachs & Co. He has 27 years of industry experience and holds an MBA from the Brigham Young University Marriott School of Management in Utah, USA.

Director since: 1997

Age: 50

Nationality: Swiss

Board Committees:
Strategy Committee, Investment Oversight Committee

Other board mandates:
PG3 AG, PG Impact Investments Foundation (Board of Trustees)

Portfolio company board mandates:¹⁾

Fermaca, PCI Pharma Services, United States Infrastructure Corporation

Key qualifications and skills

Private markets industry know-how	C-level experience	Risk management experience
Operational experience	Broad international exposure	Investment experience

¹⁾ Partners Group representatives are a member of the board of a portfolio company or a special purpose vehicle (SPV) established in connection with the respective investment.

Corporate Governance Report

Grace del Rosario-Castaño



Grace del Rosario-Castaño is an independent member of the Board of Directors of Partners Group Holding AG. She spent 22 years at Johnson & Johnson, joining in 1990 as Brand Manager and ending her tenure as Company Group Chairwoman, Asia-Pacific, in July 2014. In that role, Grace del Rosario-Castaño was responsible for all markets in the Asia-Pacific region. In her early years at Johnson & Johnson, she worked for the Consumer Products Worldwide division in the United States. Prior to joining Johnson and Johnson, Grace del Rosario-Castaño spent the formative years of her career with Unilever. She holds a Bachelor of Science, magna cum laude, in Business Administration from the University of the Philippines. She has also completed the Senior Management Programs at the Asian Institute of Management, Smith-Tuck Global Leadership For Women, at the Tuck School of Business in Hanover, New Hampshire and the Advanced Management Program at the University of California in Berkeley, USA.

Director since: 2015

Age: 55

Nationality: Filipina

Board Committees:

Investment Oversight Committee, Nomination & Compensation Committee (Chairwoman)

Key qualifications and skills



C-level experience



Operational experience



Broad international exposure

Dr. Eric Strutz



Dr. Eric Strutz is an independent member of the Board of Directors of Partners Group Holding AG. Dr. Eric Strutz was Chief Financial Officer and a member of the Board of Managing Directors of Commerzbank AG until March 2012. Prior to joining Commerzbank AG, Dr. Eric Strutz was employed by the Boston Consulting Group from 1993, where he was Vice President, Director and Partner as from 2000. He studied at the Universities of Erlangen-Nürnberg, Germany, and St. Gallen (HSG), Switzerland, and holds an MBA from the University of Chicago, Illinois, USA, as well as a Doctorate, summa cum laude, in Business Administration from the University of St. Gallen (HSG), Switzerland.

Director since: 2011

Age: 54

Nationality: German

Board Committees:

Risk & Audit Committee (Chairman)

Other board mandates:

HSBC Bank plc., HSBC Trinkaus & Burkhardt AG

Portfolio company board mandates:¹⁾

Global Blue, Techem

Key qualifications and skills



Private markets industry know-how



C-level experience



Risk management experience



Operational experience



Broad international exposure



Investment experience

¹⁾ Partners Group representatives are a member of the board of a portfolio company or a special purpose vehicle (SPV) established in connection with the respective investment.

Corporate Governance Report

Patrick Ward



Patrick Ward is an independent member of Partners Group Holding AG's Board of Directors and Chairman UK and Middle East. Prior to joining Partners Group, he was Advisory Director and Chairman of Goldman Sachs Asset Management International. Previously, he was Deputy Chairman and Co-Chief Executive Officer of Goldman Sachs International and a member of the firm's management committee, having previously Co-Headed the equities division globally. He has 39 years of industry experience and holds a master's degree in management from Northwestern University, Illinois, USA, and an MBA from the University of the Witwatersrand in Johannesburg, South Africa.

Director since: 2013

Age: 65

Nationality: British

Board Committees:

Client Oversight Committee

Key qualifications and skills



Private markets industry know-how



C-level experience



Operational experience



Broad international exposure



Investment experience

Urs Wietlisbach



Urs Wietlisbach co-founded Partners Group in 1996. He is a Partner of the firm and an executive member of Partners Group Holding AG's Board of Directors, based in Zug. Prior to founding Partners Group, he worked at Goldman Sachs & Co. and Credit Suisse. He has 30 years of industry experience and holds a master's degree in business administration from the University of St. Gallen (HSG), Switzerland.

Director since: 2011

Age: 57

Nationality: Swiss

Board Committees:

Strategy Committee, Client Oversight Committee (Chairman)

Other board mandates:

Entrepreneur Partners AG, HSG Foundation (Board of Trustees), PG Impact Investments AG, PG Impact Investments Foundation (Board of Trustees), PG3 AG, Schweizer Sporthilfe (President of Board of Trustees), Stiftung Passion Schneesport (President of Board of Trustees), Swiss Startup Factory AG (Advisory Board member)

Portfolio company board mandates:¹⁾

KR Group (Board observer)

Key qualifications and skills



Private markets industry know-how



Broad international exposure



Investment experience

¹⁾ Partners Group representatives are a member of the board of a portfolio company or a special purpose vehicle (SPV) established in connection with the respective investment.

Corporate Governance Report

Organizational changes to the Board of Directors

At the Annual General Meeting of shareholders on 9 May 2018, Steffen Meister was elected Executive Chairman, succeeding Dr. Peter Wuffli, who was reelected and appointed as Vice Chairman of the Board.

On 7 March 2019, the Board of Directors announced its intention to nominate Dr. Martin Strobel for election as an independent member of the Board and member of the Risk & Audit Committee and Nomination & Compensation Committee at the Annual General Meeting of shareholders to be held on 15 May 2019.

Dr. Strobel's background is in technology and he gained a PhD in business computer science while beginning his career as a consultant at The Boston Consulting Group. He subsequently joined the Swiss insurer Baloise Group to oversee technology, before ultimately spending seven years of his 17-year tenure there as Group CEO. After leaving Baloise Group in April 2016, Dr. Strobel spent almost three years as an operating partner at private equity firm Advent International. He is a board member at RSA Insurance Group plc., a British-headquartered insurer, where he chairs the Risk Committee. At Partners Group, he will contribute to general strategic Board-level initiatives, with a particular focus on technology and operations.

Dr. Peter Wuffli, current Vice Chairman of Partners Group, will retire from the Board of Directors as of 15 May 2019 after ten years as an independent member of the Board.

Dr. Charles Dallara, current member of the Board of Directors and Chairman of the Americas, will retire from the Board of Directors as of 15 May 2019 after six years as an independent member of the Board. Both have provided invaluable guidance in support of Partners Group's growth. Dr. Peter Wuffli was instrumental in further institutionalizing the firm, while safeguarding its entrepreneurial governance approach. Dr. Charles Dallara has significantly contributed in further building out the firm's business and client relationships in the US and internationally.

3.2. Other activities and vested interests

Please see note 3.1.

3.3. Ordinance against excessive compensation in listed joint stock companies – Number of mandates pursuant to the OaEC

The ordinance against excessive compensation in listed joint stock companies ("OaEC") inter alia obliges listed joint stock companies to annually submit the Board of Directors' and executive management's compensation to shareholders for a

binding vote. At the Annual General Meeting on 13 May 2015, shareholders approved a revised version of the firm's articles of association comprising the changes as required by the OaEC and as proposed by the Board of Directors.

In accordance with art. 12 para. 1 of the OaEC and art. 25 of the articles of association, each member of the Board of Directors may assume a maximum of four additional mandates in listed corporations and a maximum of five additional mandates in other legal entities. The following mandates are exempt from this limitation: mandates in legal entities controlled by the Company or controlling the Company; mandates that are carried out on behalf of or as directed by the Company or any of its controlled companies in legal entities that are not part of the group, whereby each member of the Board of Directors may assume a maximum of ten of such mandates; mandates in associations, non-profit organizations, foundations, trusts, and employee pension foundations, whereby each member of the Board of Directors may assume a maximum of ten of such mandates; and mandates in legal entities serving the sole purpose of managing private assets, whereby each member of the Board of Directors may assume a maximum of ten of such mandates.

The term "mandate" as used in the articles of association includes activities within other superior governing or administrative bodies of legal entities that are obliged to register themselves in the Swiss commercial registry or a corresponding foreign registry. Mandates in several legal entities that are under joint control or joint beneficial ownership, are considered one mandate.

3.4. Elections and terms of office

The Board of Directors consists of at least three members. All members as well as the Chairman of the Board of Directors are elected individually at the shareholders' meeting, for a term of one year in accordance with the OaEC. The year that each member of the Board of Directors was first appointed is listed in the table at the beginning of this section. Re-election is possible. There are no rules in the articles of association that differ from the statutory legal provisions with regard to the appointment of the chairman, the members of the compensation committee and the independent proxy.

3.5. Internal organizational structure

The Board of Directors has adopted written internal regulations for the management of the company and of its subsidiaries pursuant to art. 716b of the Swiss Code of Obligations, the rules of the SIX Exchange Regulation, the company's articles of association and the Swiss Federal Act on Collective Investment Schemes.

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The Board of Directors has ultimate responsibility for the management of Partners Group. Please see the table at the beginning of this section for information on the allocation of tasks within the Board of Directors.

Once a year, during the first Board meeting following the Annual General Meeting of shareholders, the Board of Directors appoints its secretary, who does not need to be a member of the Board of Directors. The Board of Directors meets as often as business requires, but no less than four times a year as set forth in the company's Rules of the Organization and of Operations (the "Rules"; Organisationsreglement); in 2018, five formal meetings were held, which lasted between three and eight hours each. The majority of all Board members were present at all meetings. The meetings of the Board of Directors were also attended by relevant non-members of the Board of Directors who hold key functions or responsibilities within the firm. The formal meetings were complemented by regular and considerable informal interactions with management and employees across the firm.

The Board of Directors can deliberate if the majority of its members are present. Resolutions are adopted with the majority of the votes of the members present. In the event of a tie, the Chairman casts the deciding vote. Resolutions by circular letter require the absolute majority of all members of the Board of Directors unless higher quorums are provided by applicable provisions.

The Board of Directors has established further committees to promulgate and monitor related directives and policies: the Risk & Audit Committee, the Nomination & Compensation Committee, the Strategy Committee, the Client Oversight Committee and the Investment Oversight Committee. Each committee advises the Board of Directors on the matters specified below, often with the assistance of the Executive Committee and others involved in the management of Partners Group. The members and Chairs of these committees are determined by the Board of Directors, apart from the members of the Nomination & Compensation Committee who are elected individually at the Annual General Meeting for a term of one year in accordance with the OaEC. Please see the table at the beginning of this section for the composition of these committees.

Any of the committee members may call committee meetings. In order for resolutions to be valid, the majority of a committee's members must be present (physically or by phone/video conference) at the meeting or the resolution must be adopted by way of a circular resolution.

Risk & Audit Committee (RAC)

The RAC is in charge of ensuring the diligent performance of internal and external auditing as well as financial controlling in addition to performing other tasks related to risk management. In particular, the RAC (i) approves internal audit's organization and tasks, (ii) orders the performance of specific audits, (iii) supervises internal audit's activities, (iv) ensures the execution of the external audit, (v) monitors the financial review processes and (vi) ensures the review of the management and internal control processes. The role of the RAC is primarily supervisory and its decision making authority is limited to those areas which are ancillary to its supervisory role (see also section 3.7.1.5). Subject to limitations provided under the law and the Articles of Association, the RAC shall be presided over by independent members and only consist of independent Board members. As of 31 December 2018, the members of the RAC were Dr. Eric Strutz (Chair) and Dr. Peter Wuffli. The RAC held four formal meetings in 2018, which each lasted approximately two to four hours. In addition, the external auditors attended all meetings of the RAC in 2018. All committee members were present at all meetings. The meetings of the RAC were also attended by other non-voting members of the Board of Directors and relevant non-members of the Board of Directors who hold key functions or responsibilities within the firm. The formal meetings were complemented by regular and considerable informal interactions with management and employees across the firm on legal, compliance and audit-related matters or projects.

Nomination & Compensation Committee (NCC)

The NCC advises and supports the Board of Directors in particular with regard to the determination of the compensation system and principles, as well as with regard to the nomination of members of the Board of Directors and the promotion of executive officers of the company or its controlled companies, as applicable. It assesses the compensation proposals for the company or its controlled companies with regard to compliance with the determined principles. It also prepares the Compensation Report and the motions on the Board of Directors' and executive management's compensation to be submitted to the shareholders' meeting. The Board of Directors may assign further tasks, responsibilities and powers in compensation and nomination matters to the NCC. Subject to limitations provided under the law and the Articles of Association, the NCC shall be presided over by independent members and only consist of independent Board members. As of 31 December 2018, the members of the NCC were Grace del Rosario-Castaño (Chair) and Dr. Peter Wuffli. The NCC held two formal meetings in 2018, which each lasted approximately two to three hours, to discuss the annual compensation for the Board of Directors and the Executive Committee as well

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as to confirm the overall compensation policy. All committee members were present at all meetings. The meetings of the NCC were also attended by other non-voting members of the Board of Directors and relevant non-members of the Board of Directors who hold key functions or responsibilities within the firm. The formal meetings were complemented by regular and considerable informal interactions with management and employees across the firm on promotion considerations and leadership development projects.

Strategy Committee (SC)

The SC directs the firm's major strategic initiatives and advises the Board of Directors on, in particular, major business, corporate and organizational initiatives. It further oversees fundamental initiatives in terms of the firm's human capital development, financial planning and use of financial resources. As of 31 December 2018, the members of the SC were Steffen Meister (Chair), Dr. Marcel Erni, Alfred Gantner, Urs Wietlisbach and Dr. Peter Wuffli. The SC held six formal meetings in 2018, which each lasted approximately three to four hours. The majority of the meetings were attended by all members. The meetings of the SC were also attended by other non-voting members of the Board of Directors and relevant non-members of the Board of Directors who hold key functions or responsibilities within the firm. The formal meetings were complemented by regular and considerable informal interactions with management and employees across the firm to implement key strategic growth projects.

Client Oversight Committee (COC)

The COC coordinates global marketing and (key) client activities, drives strategic fundraising initiatives and identifies new key product and fundraising themes. In addition, it oversees the coverage of the firm's key client prospects, the global consultant network, the firm's global public relations strategy as well as its advisory network. As of 31 December 2018, the members of the COC were Urs Wietlisbach (Chair), Dr. Charles Dallara, Steffen Meister and Patrick Ward. The COC held seven formal meetings in 2018 which lasted approximately two hours each. The majority of the meetings were attended by all members. The meetings of the COC were also attended by other non-voting members of the Board of Directors and relevant non-members of the Board of Directors who hold key functions or responsibilities within the firm. The formal meetings were complemented by regular and considerable informal interactions with management and employees across the firm on key client-related matters or projects.

Investment Oversight Committee (IOC)

The IOC provides advice and support to the Board of Directors, the management and the Investment Committees on the assessment of quality and consistency of decision processes, the investment performance achieved, the realization of the projected appreciation on individual investments, and the investment risks incurred. It defines quality standards and measurement methods and proposes any measures that may be required. The Board retains the right to discuss any investment proposal in the IOC and therefore it designated Dr. Marcel Erni and Alfred Gantner as voting members in the Global Investment Committee as of 1 January 2018. The two IOC voting members have the right to cast a total of one vote on a particular transaction. In case of absences of standing members, each IOC voting member may cast one vote in the Global Investment Committee. As of 31 December 2018, the members of the IOC are Michelle Felman (Chair), Dr. Marcel Erni, Alfred Gantner and Grace del Rosario-Castaño. The IOC held two meetings in 2018, which lasted approximately two hours each. The meetings of the IOC were also attended by other non-voting members of the Board of Directors and relevant non-members of the Board of Directors who hold key functions or responsibilities within the firm. The formal meetings were complemented by regular and considerable informal interactions with management and employees across the firm on key investment-related matters or projects.

Meeting attendance

The members of the Board are encouraged to attend all meetings of the Board and the committees on which they serve.

Meeting attendance

	BoD	SC	IOC	COC	RAC	NCC
Meetings held in 2018	5	6	2	7	4	2
Number of members who missed no meetings	7	4	3	2	3 ¹⁾	2
Number of members who missed one meeting	3	1	1	0	0	0
Number of members who missed two or more meetings	0	0	0	2	0	0
Meeting attendance in %	94%	97%	88%	75%	100%	100%

BoD: Board of Directors, **RAC:** Risk & Audit Committee, **NCC:** Nomination & Compensation Committee, **SC:** Strategy Committee, **COC:** Client Oversight Committee, **IOC:** Investment Oversight Committee

1) After the AGM held on 9 May 2018, the RAC and NCC consist of two members only (previously: three). For the two RAC meetings held in March and May 2018 prior to this change, the table above shows the attendance of three members

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3.6. Definition of areas of responsibility

The Board of Directors has delegated the day-to-day management of Partners Group to the Executive Committee unless provided otherwise by law, the articles of association or as described below. The Board of Directors has the right to issue specific rules for this purpose and to form the respective committees to determine the principles of the business policy, the risk policy of the various business sectors and the authority and responsibilities of each of the company's bodies. The positions of Chairman of the Board of Directors and of the Co-Chief Executive Officers are held by separate people, thus ensuring a system of internal checks and balances and an independence of the Board of Directors from the day-to-day management of the company.

Apart from the non-transferable functions mentioned in the law and in the articles of association, the Board of Directors has a number of additional duties and powers, including (among others) resolutions regarding essential features of the group's organization, all transactions in connection with real estate (outside of investment activities), the establishment of employment conditions, all activities pertaining to the shareholder register, acceptance and handling of audit reports and budgets, and the periodic review of the internal organization. Responsibilities delegated to the Executive Committee of Partners Group are set forth in the company's Rules. The delegated responsibilities are the following:

1. Direct management as well as continual monitoring of business activities within the scope of, and in line with, the regulations, guidelines, competencies, individual resolutions and restrictions imposed by the Board;
2. Conclusion of transactions provided these lie within the limits as determined by the Rules and particularly by the determined authorities and responsibilities set forth in the Rules or by the regulations, guidelines, competencies, individual resolutions and restrictions imposed by the Board of Directors;
3. Establishing subsidiaries and founding new group companies (branches);
4. Developing and issuing directives, policies and job descriptions for employees to the extent that such tasks are not reserved for the Board of Directors;
5. Employment and termination of employees within the authorities and responsibilities set forth in the Rules;
6. Initiating legal actions and concluding settlements according to the authorities and responsibilities set forth in the Rules;

7. Organization, management and implementation of accounting, financial planning and reporting, including preparation of the company's management report and annual financial statements for the attention of the Board of Directors;
8. Preparation of the budget for the attention of the Board;
9. Execution of the Board of Directors' resolutions;
10. Organizing, assisting and coordinating the employment benefit plans;
11. Organizing insurance management;
12. Organizing risk management as well as implementing and monitoring the internal control system and compliance;
13. Informing the senior management of relevant resolutions made by the Board of Directors and the Executive Committee;
14. Proposals for all transactions that have to be submitted to the Board of Directors according to the Rules and the authorities and responsibilities set forth in the Rules;
15. Exercising the company's shareholder rights as a shareholder within group companies, including the entitlement to vote on the composition of the members of management, accepting the annual financial statements and matters related to this.

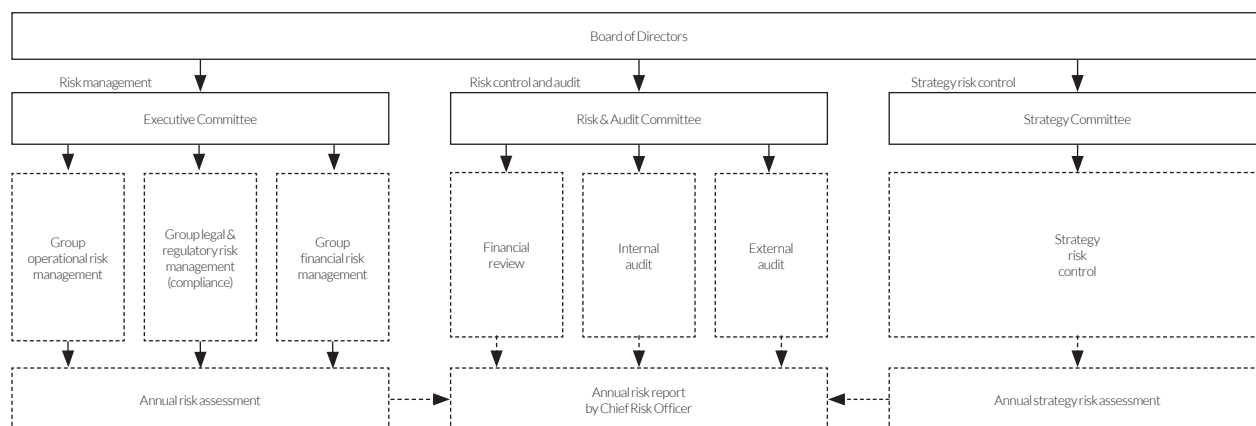
3.7. Information and control instruments vis-à-vis the senior management

The Board of Directors is kept informed of the activities of the Executive Committee through a number of information and control instruments. The Co-Chief Executive Officers, Co-Heads of Group Finance & Corporate Development ("Co-Heads GF&CD"), Chief Operating Officer and respective operating officers with line management functions are in a regular dialogue with the Chairman of the Board of Directors regarding the general course of business, the financial situation of the company and any developments or events of importance to the company and its business. In the event of extraordinary incidents or developments, the Executive Committee notifies the Chairman of the Board without delay.

The Executive Committee submits decisions beyond the scope of ordinary management or decisions that carry major implications to the relevant Board Committee or Board of Directors, including (but not limited to) decisions specifically reserved for the relevant Board Committee or Board of Directors.

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Partners Group's risk governance framework



3.7.1. Group risk governance

3.7.1.1. Scope and elements

Partners Group identifies, assesses and monitors risks and controls risk management processes on an aggregate consolidated basis for all business activities across the organization.

Partners Group's risk governance framework comprises the following elements:

- Risk management;
- Risk control and audit; and
- Strategy risk control.

Responsibilities for each element are separated as illustrated on the following page.

3.7.1.2. Executive Committee

The ongoing risk management of Partners Group's activities is delegated to the Executive Committee. In establishing appropriate processes regarding risk management, the Executive Committee shall distinguish between:

- the group operational risk management;
- the group legal and regulatory risk management (compliance); and
- the group financial risk management.

Within these categories, the Executive Committee sets qualitative and quantitative standards consistent with the risk appetite in Partners Group's business activities by issuing appropriate policies or otherwise. Risk identification and categorization is explained in more detail in section 3.7.2.3.

Partners Group's management has established an operational Internal Control System ("ICS") and maintains an internal control structure that monitors compliance with established policies and procedures. The ICS is established and refreshed based on assessment of the risks facing Partners Group. Partners Group selects and develops control activities that contribute to the mitigation of risks.

The ICS consists of the following three pillars: (i) a risk management culture is embedded in the operational activities of the business teams, with the core responsibility for the implementation, effectiveness and documentation of controls lying with the respective owners of Group Processes; (ii) oversight and monitoring of Group Processes is performed annually by the Department Heads as ensured and facilitated by the Head Operational Risk Management – a risk assessment is performed annually by the Chief Risk Officer, Chief Operating Officer and the Head Operational Risk Management; and (iii) Group Internal Audit, as a business and operations independent function, periodically verifies and assesses the ICS, thus contributing to its improvement.

Overall responsibility for the ICS lies with the senior management of Partners Group. In addition, the Board of Directors carries out its oversight responsibilities by defining, maintaining, and periodically evaluating the skills and expertise needed among its members to enable them to ask probing questions of senior management and take commensurate actions. The Board of Directors retains oversight responsibility for management's design, implementation, and the conduct of internal control with regards to the individual components of internal control: control environment, risk assessment, control activities, information and communication and monitoring activities.

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Partners Group has engaged PricewaterhouseCoopers AG (“PwC”) to report on the suitability of the design of the ICS and the operating effectiveness of the control activities related to its investment management services, in accordance with the International Standard on Assurance Engagements 3402 (“ISAE 3402”) issued by the International Auditing and Assurance Standards Board. In 2018, Partners Group issued an ISAE 3402 Type II controls report with no qualification relating to its investment management services as of year-end 2017, thereby confirming the operational effectiveness of the controls.

3.7.1.3. Risk & Audit Committee (RAC)

Within the Board of Directors, the RAC is responsible for the review of the risk profile of Partners Group and for ensuring appropriate processes regarding the ongoing group risk control and audit are in place, relating specifically to:

- the financial reviewing;
- the internal auditing; and
- the external auditing.

The RAC’s responsibilities are further defined in the Rules of the Organization and of Operations (ROO) for Partners Group Holding AG.

Group Internal Audit supports the Board of Directors, the RAC and the Executive Committee of the company in their supervisory and risk management tasks. In doing so, Group Internal Audit provides an independent view based on objective analysis regarding material risks and quality issues at Partners Group and develops and suggests recommendations for improvement. Group Internal Audit reports to the Chairman of the Board of Directors and works closely with the Chairman of the RAC and the Executive Committee. The scope, responsibilities, tasks and priorities of Group Internal Audit are regularly discussed with and approved by the RAC and are reflected in the Group Internal Audit Directive.

The International Standards for the Professional Practice of Internal Auditing as well as the Definition of Internal Auditing and Code of Ethics guide the Group Internal Audit practice.

3.7.1.4. Strategy Committee (SC)

Within the Board of Directors, the SC is responsible for identifying and assessing strategic and business risks and establishing appropriate processes for the group’s strategy risk control. The SC’s responsibilities are further defined in the Rules of the Organization and of Operations (ROO) for Partners Group Holding AG.

3.7.1.5. Risk Control Function

To support the risk governance bodies set out above (under sections Executive Committee, RAC and SC), Partners Group has established a Risk Control Function currently carried out by the CRO. From time to time, the Executive Committee shall propose amendments to the Risk Control Function to the Board, thereby ensuring that the function is allocated adequate resources and authority, in line with the size and complexity of the business and organization, as well as the risk profile of Partners Group.

As an independent controlling function, the Risk Control Function includes the following responsibilities:

- Supporting the RAC and the Board in reviewing the risk profile (risk policy, risk appetite and risk limits) of the organization;
- Collecting, consolidating and assessing risk information from within the organization to enable the RAC and the Board to supervise Partners Group’s risk profile;
- Monitoring Partners Group’s risk profile by defining and procuring the implementation of adequate systems and methods for risk supervision, and adjusting such systems and methods to new business lines and products;
- Supervising the adequacy and effectiveness of the organization’s systems for risk management in light of Partners Group’s risk profile.

The Head of the Risk Control Function has unrestricted access to the Executive Committee and a direct reporting line to the Co-CEOs. Unrestricted access to information, locations and documents is also granted within the scope of the Risk Control Function.

The Head of the Risk Control Function typically reports to the Executive Committee every six months or on an ad-hoc basis, as needed. The Head informs the RAC about their activities and findings at the Committee’s regular meetings. In between meetings, the Chairman of the RAC and the Head of the Risk Control Function liaise to prepare meetings and address specific issues on an ad-hoc basis.

On an annual basis, the Head of the Risk Control Function shall provide a risk report to the Board of Directors comprising the risk assessments of the Executive Committee, the RAC and the SC.

3.7.1.6. Conflict resolution

Partners Group strives to avoid situations that result in conflicts of interest. However, in certain situations conflicts cannot be avoided and for such instances the Conflict Resolution Board

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has been appointed by the group companies as the governing committee for handling all relevant conflicts of interest within the group. The members of the Conflict Resolution Board are Board member and Chairman of the RAC Dr. Eric Strutz (Chair), Steffen Meister (Executive Chairman of the Board of Directors) and Andreas Knecht (Chief Operating Officer and General Counsel).

3.7.2. Risk management process

3.7.2.1. Objectives

Partners Group's risk management is an ongoing process under the leadership and supervision of the Executive Committee that wants to ensure that:

- Risk is consistently and comprehensively identified, measured, monitored and reported across all of its businesses, locations and risk types;
- Risk is monitored in a coordinated way within clear roles and responsibilities;
- Risk is within Partners Group's risk appetite; and
- Risk is governed by the appropriate Partners Group bodies and functions in order to provide reasonable assurance regarding the achievement of Partners Group's objectives.

Risk identification, measurement, monitoring and reporting is addressed by dedicated and tailored risk management processes.

3.7.2.2. Responsibilities

The coordination and implementation of Partners Group's operational risk management is the responsibility of each Department Head for his/her business or staff department. Adherence to the internal core processes is based on compliance with the applicable directives, policies and instructions issued by the Executive Committee.

The coordination and implementation of Partners Group's legal and regulatory risk management is the responsibility of the General Counsel. Adherence to the firm's core instructions is based on compliance with applicable directives, policies and instructions issued by the Executive Committee.

The coordination of the financial risk management is the responsibility of the Co-Heads GF&CD. Financial controls are based on the internal control system for finance and a dedicated Management Information System (MIS).

3.7.2.3. Risk identification and categorization

Within the responsibility of the Executive Committee, the Board of Directors has identified the following main risk categories for Partners Group's business activities:

- **Strategic and business risks** refer to those risks that could cause Partners Group's business vision and strategic direction to become unfeasible, cause Partners Group to lose its competitiveness and erode the firm's business profitability due to changes in the environment, failures in the firm's choice or execution of strategy, or other reasons. These risks are inherent to Partners Group's business model and dependent on how well this is adapted to the business environment in which the firm competes.
- **Investment risks** refer to the risk that assets might underperform and also consider a potential loss of an investment made on behalf of Partners Group's clients. They further include the risk of significant concentration of specific investments in client portfolios. These risks could cause the erosion of Partners Group's track record and impact the firm's competitiveness for future client demand and its potential to generate future performance fees.
- **Operational risks** are those risks that could cause Partners Group to suffer a loss directly or indirectly from inadequate or failed internal processes, people, systems or external events. They are inherent to all of Partners Group's business and support activities and comprise a large number of disparate risks, including losses resulting from events such as human error, IT failures and fraud.
- **Compliance risks** refer to the risk of non-compliance with legal and regulatory requirements, rules of professional conduct as well as common standards and Partners Group's own standards. They are inherent to all of Partners Group's business and support activities and dependent on the awareness of applicable laws, rules and regulations and their application and enforcement.

Risk management and control of obligations directly related to external parties/regulators is based on the firm's Product Obligations and Procedures (POPs) and Regulatory Obligations and Procedures (ROPs) task control system, which consists of an electronic task list with which adherence to all major corporate regulatory/legal and contractual requirements is automatically monitored and documented.

Compliance risks are monitored by Partners Group's Compliance team and regularly reported to the Risk and Audit Committee by the General Counsel and Head of Global Compliance. Risk management and risk control related to key operational internal processes is covered by Partners Group's Operational Internal Control System which is described in the Operational Internal Control System Directive.

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- **Financial risks** are risks of loss of financial resources that could affect Partners Group's profit and loss statement or balance sheet. They comprise credit risks, liquidity risks and market risks.

(a) Credit risks refer to the possibility that Partners Group may suffer a loss from the failure of counterparties and customers to meet their financial obligations, including failing to meet them in a timely manner. Credit risks arise as a result of activities that support the firm's business model.

Credit risks are monitored and controlled by the Co-Heads GF&CD and are periodically reported to the RAC.

(b) Liquidity risks refer to the risk that Partners Group may not have sufficient financial resources to meet its financial obligations when these fall due.

The coordination and monitoring of the liquidity risk is the responsibility of the Co-Heads GF&CD, based on a risk framework established by the CRO and Co-Heads GF&CD. The cash flow forecasting (including adapting the dividend policy) is discussed on a regular basis in the RAC.

(c) Market risks refer to the possibility that Partners Group may suffer a loss resulting from the fluctuations in the values of, or income from, proprietary assets and liabilities. As an asset manager, Partners Group does not deliberately seek exposure to market risks to generate profit as this is not the central business of Partners Group.

The market risk management process aims to ensure that all market risks undertaken by Partners Group's own account are identified, measured, monitored and controlled at all times. This is achieved by applying suitable, comprehensively documented risk measures. The trading book is monitored on a daily basis and periodically reported on to the RAC by the CRO.

- **Reputational risks** can result from events in any of the above mentioned risk categories. Hence, this type of risk is measured through the business risk framework and monitored on an ongoing basis by the Executive Committee.

3.7.2.4. Additional activities in relation to investment risk management for clients

Scope and elements

Partners Group identifies, assesses and monitors risks and controls risk management processes on an aggregate consolidated basis for all activities in relation to investment activities for clients.

Partners Group's investment risk governance framework comprises the following elements:

(a) Risk management in relation to single investments

Responsibilities are highlighted below:

- Investment selection and allocation: Investment Committees,
- Investment monitoring: as applicable, Fund Review Committee, Operational Value Creation Committee and Investment Committees,
- Direct asset valuation: Valuation Committees.

Further details on the purpose and powers of the respective committees are highlighted in the relevant policies and directives.

(b) Risk management in relation to portfolio risk management

Responsibilities are highlighted below:

- Assessment of macro and strategy risks: Relative Value Committees,
- Asset allocation and portfolio implementation and risk: Global Portfolio Committee.

Further details on the purpose and powers of the respective committees are highlighted in the relevant policies and directives.

(c) Investment process oversight

Within the Board of Directors the responsibility to oversee processes in relation to investment activities for clients rests with the Investment Oversight Committee (IOC). The IOC provides i) advice and support to the Board in relation to investment risks incurred and ii) oversight of investment, value creation and governance processes. The IOC monitors and improves the quality of the investment and decision-making process. It supports efforts to prevent severe setbacks to Partners Group's track record, develops a consensus on investment-related issues and risks and provides guidance to investment committees. In addition, the IOC monitors track record sensitivities and oversees the monitoring, value creation and board work performed on direct investments. The IOC's responsibilities are further defined in the Rules of the Organization and of Operations (ROO) for Partners Group Holding AG.

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4. Executive Committee

The table below shows the current composition of the Executive Committee:

Name	Joined Partners Group in	Nationality	Age	Position
André Frei	2000	Swiss	43	Co-Chief Executive Officer
David Layton	2005	US American	37	Co-Chief Executive Officer and Head Private Equity ²⁾
Christoph Rubeli ¹⁾	1998	Swiss	57	Co-Head Entrepreneurial Governance/Operating Directors ²⁾
Juri Jenkner	2004	German	43	Head Private Infrastructure
Andreas Knecht	2009	Swiss	49	Chief Operating Officer and General Counsel
Marlis Morin	2003	Swiss/Italian	48	Head Client Services
Dr. Michael Studer	2001	Swiss	46	Chief Risk Officer and Head Portfolio Solutions

1) Member and Co-Chief Executive Officer until 31 December 2018.

2) Effective from 1 January 2019, David Layton, Partner and Head Private Equity, succeeded Christoph Rubeli as Co-Chief Executive Officer.

4.1. Members of the Executive Committee

As mentioned in section 3.6 above, the Board of Directors has delegated the operational management of the company to the Executive Committee, unless otherwise required by law, the articles of association or otherwise defined in section 3.6. Next to day-to-day investment and client activities, the Executive Committee considers firm-wide and cross-departmental aspects, such as human resources, compliance with legal and regulatory requirements, and salary steering.

History and education of each member of the Executive Committee, including other activities and functions



André Frei

is the Co-Chief Executive Officer of Partners Group, based in Zug. Together with David Layton, he leads the Executive Committee and the Global Executive Board. He has been with Partners Group since 2000 and has 19 years of industry experience. Previously,

he served as the Chief Risk Officer of Partners Group between 2008 and 2013 and he was the Head of the Client Services business department. He holds a master's degree in mathematics from the Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland. He is also a CFA charterholder.



David Layton

is the Co-Chief Executive Officer of Partners Group, based in the firm's Americas headquarters in Colorado. Together with André Frei, he leads the Executive Committee and the Global Executive Board. He is also the Head of the Private Equity business

department. Previously, he was the Head of Partners Group's Private Equity business in the Americas and he has been active on the firm's Global Investment Committee. He is a member of the Board of Directors of the firm's portfolio companies KinderCare Learning Centers and Pacific Bells. He has been with Partners Group since 2005 and has 16 years of industry experience. He holds a bachelor's degree in finance from Brigham Young University's Marriott School of Management.

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Juri Jenkner

is Head of the Private Infrastructure business department, based in Zug. He is a member of the Executive Committee and the Global Executive Board. He is a member of the Global Investment Committee and the Private Infrastructure Investment Committee.

Previously, he served as Co-Head of the Private Debt business department and Head of the European Private Debt business unit. He has been with Partners Group since 2004 and has 19 years of industry experience. Prior to joining Partners Group, he worked at Privatbankiers Merck Finck & Co. He holds a master's degree in finance from the Lorange Institute of Business Zurich, Switzerland. He is also a Certified European Financial Analyst.



Andreas Knecht

is the Chief Operating Officer and General Counsel of Partners Group, based in Zug. He is Head of the Corporate Operations business department and Head of the Corporate Legal business unit. He is a member of the Executive Committee and the

Global Executive Board. He has been with Partners Group since 2009 and has 23 years of industry experience. Prior to joining Partners Group, he worked at a number of different law firms, including Niederer Kraft & Frey, and at Man Group. He holds a master's degree in law from the University of Zurich, Switzerland and an LLM from New York University. He is also admitted to the Swiss bar.



Marlis Morin

is Head of the Client Services business department, based in Zug. She is a member of the Executive Committee and the Global Executive Board. She has been with Partners Group since 2003 and has 25 years of industry experience. Prior to joining Partners Group, she

worked at Credit Suisse Asset Management Funds, Raiffeisen Landesbank Südtirol and Raiffeisenkasse Eisacktal. She holds a master's degree in international economics and business studies from the University of Innsbruck, Austria and Marquette University, Wisconsin.



Christoph Rubeli

is Co-Head of the Entrepreneurial Governance/Operating Directors business unit, based in Zug and Singapore. Until 31 December 2018, he was Co-Chief Executive Officer of Partners Group and co-led the Executive Committee and Global

Executive Board and was a member of the Global Investment Committee. He is a member of the Board of Directors of the firm's portfolio companies Cerba HealthCare and Foncia. He has been with Partners Group since 1998 and has 33 years of industry experience. Prior to joining Partners Group, he worked at UBS. He holds an MBA from INSEAD Paris, France.



Dr. Michael Studer

is the Chief Risk Officer of Partners Group and Head of the Portfolio Solutions business department, based in Zug. He is a member of the Executive Committee, the Global Executive Board and the Global Investment Committee.

He has been with Partners Group since 2001 and has 22 years of industry experience. He holds a PhD in mathematics from the Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland.

Organizational changes to senior management

Partners Group reviews its organizational structure on an ongoing basis and implements adjustments to its organizational structure that will support and enable the continued successful growth of its investment platform to the benefit of the firm's clients and shareholders, while ensuring continuity and stability in its core leadership team.

Effective from 1 January 2019, Partners Group implemented a change in the firm's Co-CEO office. David Layton, Partner and Head of Private Equity, succeeded Christoph Rubeli as Co-CEO. He joined André Frei, who has been Co-CEO since 2013, in the Co-CEO office. Christoph Rubeli additionally stepped down from Partners Group's Executive Committee and Global Executive Board by 31 December 2018, but he will remain a Partner of the firm. Christoph Rubeli will support the further build-out of the investment platform globally, with a particular emphasis on the entrepreneurial governance of our portfolio companies.

Corporate Governance Report

4.2. Other activities and vested interests

None of the members of the Executive Committee is a member of a governing or supervisory body of important Swiss or foreign organizations outside of Partners Group. None of the members of the Executive Committee hold permanent management or consultancy functions for important Swiss or foreign interest groups, and none of the members have official functions or hold political posts. None of the members of the Executive Committee have carried out tasks for Partners Group prior to joining the firm.

4.3. Number of mandates pursuant to the OaEC

In accordance with art. 12 para. 1 of the OaEC and art. 29 of the articles of association, each member of the executive management may assume a maximum of one additional mandate in listed corporations and a maximum of four additional mandates in other legal entities. The other provisions under art. 25 of the articles of association, as referred to in section 3.3, above apply mutatis mutandis.

4.4. Management contracts

Partners Group has not entered into any management contracts with companies or individuals not belonging to the group.

Corporate Governance Report

5. Global Executive Board

In addition to the Executive Committee members, the Global Executive Board includes the following members:

Name	Joined Partners Group in	Nationality	Age	Position
Bill Berry	2016	US American	52	Head Private Debt
René Biner	1999	Swiss	48	Chairman Global Investment Committee
Mike Bryant	2016	British	51	Co-Head Private Real Estate
Fredrik Henzler ¹⁾	2012	Swedish	47	Head Industry Value Creation and Head Industrials
Adam Howarth	2007	US American	40	Head Portfolio Management Americas
Sergio Jovele	2005	Italian	49	Client Solutions Europe
Dr. Kevin Lu	2014	Chinese	45	Chairman Asia and Head Client Solutions Asia
Stefan Näf	2000	Swiss	45	Head Client Solutions
Amelia Räss-Fernandez	2016	Swiss	52	Head Human Resources
Dr. Stephan Schäli	1999	Swiss	50	Chief Investment Officer
Dr. Yves Schneller	2008	Swiss	41	Head Investment Services
Dr. Raymond Schnidrig	2010	Swiss	50	Chief Technology Officer
Martin Scott	2008	Australian	45	Head Client Solutions Australia
Anthony Shontz	2007	US American	41	Co-Head Private Equity Integrated Investments Americas
Marc Weiss	2007	US American	53	Co-Head Private Real Estate

1) Member as of 1 January 2019.

The Global Executive Board is a diverse global leadership team at group level, charged with driving forward the global business and corporate development of the firm. Members include Partners and Managing Directors from different business lines across the firm's offices in Denver, New York, London, Singapore and Sydney, as well as its headquarters in Zug, Switzerland. The team works closely with the firm's Executive Committee. Executive Committee members are also members of the extended Global Executive Board (see also section 4.1).

In line with the changes in the Executive Committee (see also section 4.1), Christoph Rubeli stepped down from Partners Group's Global Executive Board by 31 December 2018. Fredrik Henzler will join the Global Executive Board as of 01 January 2019.

Members of the Global Executive Board



Bill Berry

is Head of the Private Debt business department, based in London. He has 23 years of industry experience. Prior to joining Partners Group, he was Co-President of Capula Investment Management and worked at Bank of America/Merrill Lynch in a variety of senior roles including Global Co-Head of Counterparty Portfolio Management (CPM) and Head of EMEA Structured Credit and Securitization and Solutions. He holds a bachelor's degree in economics from Princeton University, New Jersey and an MBA from the Wharton School of the University of Pennsylvania, USA.

Corporate Governance Report



René Biner

is Chairman of the Global Investment Committee at Partners Group, based in Zug. He is a member of the Global Executive Board. He has been with Partners Group since 1999 and has 25 years of industry experience. Prior to joining Partners Group, he worked

at PricewaterhouseCoopers. He holds a master's degree in economics and business administration from the University of Fribourg, Switzerland. He is also a Swiss certified public accountant.



Mike Bryant

is Co-Head of the Private Real Estate business department, based in London. He is a member of the Private Real Estate Directs Investment Committee, the Private Real Estate Secondaries Investment Committee and the Private Real Estate Primaries Investment

Committee. He has over 30 years of industry experience. Prior to joining Partners Group he worked at GE Capital Real Estate, HVB Real Estate Capital, Erste Bank, Coopers and Lybrand, and Cushman and Wakefield. He holds a Master of Arts in Land Economy from the University of Cambridge, UK. He is also a qualified chartered surveyor.



Fredrik Henzler

is Head of the Industry Value Creation business department and Head of the Industrials Industry Value Creation business unit, based in Zug. He is a member of the Global Executive Board, the Global Investment Committee, the Private Equity Directs Investment

Committee and the Global Direct Debt Investment Committee. He is a member of the Board of Directors of the firm's portfolio companies AMMEGA, CSS Corp., Form Technologies, Hofmann Menue Manufaktur and United States Infrastructure Corporation. He has been with Partners Group since 2012 and has 24 years of industry experience. Prior to joining Partners Group, he worked at BrainNet Supply Management Group AG where he led more than 50 operational efficiency projects for portfolio companies of private equity sponsors including APAX, Bridgepoint, Cinven, KKR and Permira. He holds a master's degree in finance and accounting from the University of St. Gallen (HSG), Switzerland.



Adam Howarth

is Head of Partners Group's New York office and Head of Portfolio Management for the Americas. He is a member of the Private Equity Integrated Investment Committee and was previously the Co-Head Private Equity Integrated Investments

Americas. He has been with Partners Group since 2007 and has 19 years of industry experience. Prior to joining Partners Group, he worked at HarbourVest Partners, LLC and Credit Suisse. He holds an MBA from the New York University Stern School of Business, USA.



Sergio Jovele

is Head of Partners Group's London office and part of the European Client Solutions business unit. He is a member of the Global Executive Board. He has been with Partners Group since 2005 and has 19 years of industry experience. Prior to joining Partners Group,

he worked at Initiative Europe on private equity research assignments. He has published academic papers on American literature and holds a degree in literature from the Istituto Universitario Orientale di Napoli, Italy.



Dr. Kevin Lu

is Chairman of Asia and Head of Partners Group's Singapore office as well as Head of the Asian Client Solutions business unit. He is a member of the Global Executive Board. He has been with Partners Group since 2014 and has 21 years of industry experience.

Prior to joining Partners Group, he was a member of the senior management team at the World Bank Group's Multilateral Investment Guarantee Agency, as its CFO and Asia-Pacific Regional Director. He holds a PhD in international finance and public policy from New York University, USA.



Stefan Näf

is Head of the Client Solutions business department and Head of the European Client Solutions business unit, based in Zug. He is a member of the Global Executive Board. Previously, he was part of the Private Equity Directs and Primaries business unit and

subsequently founded the firm's London office. He has been with Partners Group since 2000 and has 23 years of industry

Corporate Governance Report

experience. Prior to joining Partners Group, he worked at the European Institute for Risk Management (EIRM). He holds a master's degree in banking and finance from the University of St. Gallen (HSG), Switzerland.



Amelia Räss-Fernandez

is Head of the Human Resources business department, based in Zug. She is a member of the Global Executive Board. She has 25 years of industry experience. Prior to joining Partners Group, she worked at Salt Mobile/ Orange Communications Switzerland,

Zurich Financial Services and PricewaterhouseCoopers. She holds an executive MBA from the University of Zurich, Switzerland and a graduate degree in human resources management from the University of Manchester, UK.



Dr. Stephan Schäli

is the Chief Investment Officer of Partners Group, based in Zug. He is a member of the Global Executive Board. He is the Deputy Chairman of the Global Investment Committee and the Chairman of the Global Portfolio Committee. He has been with Partners

Group since 1999 and has 22 years of industry experience. Prior to joining Partners Group, he worked at UBS and Goldman Sachs & Co. He holds an MBA from the University of Chicago, Booth School of Business, Illinois and a PhD in business administration from the University of St. Gallen (HSG), Switzerland.



Dr. Yves Schneller

is Head of the Investment Services business department and Co-Head of the Transaction Services business unit, based in Zug. He has been with Partners Group since 2008 and has twelve years of industry experience. Prior to joining Partners Group, he worked at Baer &

Karrer. He holds a PhD in business law from the University of St. Gallen (HSG), Switzerland. He is also admitted to the Swiss bar.



Dr. Raymond Schnidrig

is the Chief Technology Officer of Partners Group and Head of the Technology business unit, based in Zug. He is a member of the Global Executive Board. He has been with Partners Group since 2010 and has 26 years

of industry experience. Prior to joining Partners Group, he worked at Goldman Sachs and Finance Online GmbH. He holds a PhD in computer science from the Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland.



Martin Scott

is Head of Partners Group's Sydney office and Head of the Australian Client Solutions business unit. He is a member of the Global Executive Board. He has been with Partners Group since 2008 and has 26 years of industry experience. Prior to joining Partners

Group, he worked at Zurich Investments, Tyndall Investment Management and Citigroup. He holds a marketing diploma from the Macquarie Graduate School of Management, Australia and studied business at the University of Technology Sydney, Australia.



Anthony Shontz

is Head of Partners Group's Denver office and Co-Head of Private Equity Integrated Investments Americas. He is a member of the Private Equity Integrated Investment Committee. He has been with Partners Group since 2007 and has 17 years of industry

experience. Prior to joining Partners Group, he worked at Pacific Private Capital and Prudential Capital Group. He holds an MBA from the Northwestern University Kellogg School of Management in Illinois, USA.



Marc Weiss

is Co-Head of the Private Real Estate business department, based in New York. He is a member of the Global Executive Board, the Global Investment Committee and Chairman of the Private Real Estate Investment Committee. He has been with Partners

Group since 2007 and has 32 years of industry experience. Prior to joining Partners Group, he worked at Commonfund, Kenneth Leventhal & Company, Ernst & Young, LLP, UBS Asset Management and Pension Consulting Alliance, Inc., whose discretionary asset management business was integrated into Partners Group. He holds an MBA from the Cornell University Samuel Curtis Johnson Graduate School of Management in New York, USA. He was also a certified public accountant.

Corporate Governance Report

6. Compensation, shareholdings and loans

6.1. Principles, content and method of determining the compensation

Pursuant to art. 14 and 15 of the OaEC, all compensation paid in 2018 to the members of the Board of Directors and the Executive Committee, and the outstanding loans, if any, granted to the members of the Board of Directors and the Executive Committee, are disclosed in sections 4 and 5 in the Compensation Report 2018. In the Compensation Report 2018, the firm outlines its compensation principles, components and method. The Compensation Report can be found in the Annual Report 2018 or on the firm's website.

6.2. Loans

Members of the Board of Directors and Executive Committee may apply for loans and fixed advances, subject to an internal review and approval process. Such loans are made on substantially the same terms as those granted to other employees, including interest rates and collateral. A detailed overview of loans outstanding as of 31 December 2018 for the Board of Directors and the Executive Committee can be found in the Compensation Report in sections 5 and 6.

Pursuant to art. 12 para. 2 section 1 of the OaEC, the maximum amount of loans and credits for members of the Board of Directors and the executive management must be fixed in the articles of association in order to allow the company to grant such loans and credits to members of the Board of Directors and the Executive Committee. Art. 27 and Art. 31 of Partners Group's articles of association state that the members of the Board of Directors and Executive Committee may be granted loans, credits and provided collateral up to certain limits at arm's length conditions. All loans listed in the Compensation Report 2018 were granted before the entering into force of the OaEC.

7. Shareholders' participation

7.1. Voting rights & representation measures

Each share entitles to one vote. The shareholders who are entitled to attend shareholders' meetings and to exercise voting rights are those recorded with voting rights in the shareholder register as of a qualifying date prior to the shareholders' meeting set by the Board of Directors.

Registration in the shareholder register with the attached voting rights is restricted by the limits on transferability and nominee registration as set forth in section 2.6. All registered shareholders are invited to attend shareholders' meetings. If they do not wish to attend, any shareholder may be represented at the shareholders' meeting by a legal representative who needs not be a shareholder, or the independent proxy. The Board of Directors issues further rules in relation to attendance and representation at shareholders' meetings, including the electronic issuance of proxies and instructions to the independent proxy.

7.2. Quorums required by the articles of association

The articles of association for Partners Group provide that, unless provided otherwise by mandatory provisions of law, the following resolutions of the shareholders' meeting require at least two-thirds of the represented votes and the absolute majority of the represented nominal value of shares:

The cases provided for by law in art. 704 para. 1 of the Swiss Code of Obligations;

Reversal or amendment of the transfer limitation as set forth in section 2.6.

Corporate Governance Report

7.3. Convocation of the general meeting of shareholders

The AGM of shareholders takes place within six months after the close of the financial year. All registered shareholders receive a written invitation to the AGM including detailed descriptions of the items to be discussed and the motions of the Board of Directors no later than 20 days before the date of the AGM. In 2019, the AGM for shareholders is scheduled for 15 May.

Shareholders representing at least one-tenth of the share capital may at any time request that a shareholders' meeting be called. The request must be submitted in writing at least 45 days ahead of the meeting by stating the items on the agenda and the motions to be introduced by the shareholders.

7.4. Inclusion of items on the agenda

Shareholders representing at least one-tenth of the share capital may submit proposals to be placed on the agenda at a shareholders' meeting, provided these items are received by the Board of Directors no later than 45 days prior to the meeting by stating the items on the agenda and the motions to be introduced by the shareholders.

7.5. Entries in the share register

The general rules for registration as a shareholder apply as described in sections 2.4 and 2.6. The qualifying date for the registration of shares is defined by the Board of Directors for every shareholder meeting.

8. Changes of control and defense measures

8.1. Opting-out

Partners Group has elected to opt out of the rule that an investor acquiring 33 1/3 % of all voting rights has to submit a public offer for all outstanding shares.

8.2. Clauses on change of control

The contracts with the members of the Board of Directors and the Executive Committee do not contain any change of control clauses.

In particular, no protection measures such as

- severance payments in the event of a takeover ("golden parachutes");
- special provisions on the cancellation of contractual arrangements;
- agreements concerning special notice periods or longer-term contracts where they exceed 12 months (in line with OaEC);
- the waiver of lock-up periods (e.g. no options that can be exercised with immediate effect);
- shorter vesting periods/accelerated vesting; and/or
- additional contributions to pension funds

exist that protect the above-mentioned persons by certain contractual conditions against the consequences of takeovers.

Corporate Governance Report

9. Auditors

9.1. Duration of mandate and term of office

The consolidated financial statements and the statutory accounts of Partners Group Holding AG are audited by KPMG AG. The statutory and group auditors are elected for one-year periods at the Annual General Meeting of shareholders. KPMG AG was first elected statutory and group auditor on 21 November 2001. The lead auditor, Thomas Dorst, has been in charge of the mandate since 10 May 2017 and is subject to a seven-year rotation interval.

9.2. Auditing fees

In the financial year 2018, KPMG AG and other KPMG companies received a total of CHF 1.6 million (2017: CHF 1.3 million) for audit services.

9.3. Additional fees

In addition, KPMG AG and other KPMG companies received CHF 0.1 million (2017: CHF 0.2 million) in fees for non-audit related services such as consulting services (tax, regulatory and IFRS) rendered to Partners Group and its subsidiaries in the financial year 2018.

9.4. Supervision and control vis-à-vis the external auditors

The Board of Directors is responsible for the acceptance and processing of the reports from the statutory and group auditors. In this, the Board of Directors is supported by the Risk & Audit Committee, which periodically interacts with and monitors the qualification, independence and performance of the external auditors.

Based on the constant dialogue with KPMG AG and its annual presentation to the Board of Directors evaluating all audit findings, the Risk & Audit Committee conducts its assessment. This assessment further includes oral and written statements made by KPMG AG throughout the year concerning individual aspects or factual issues in connection with the accounting and audit. During the 2018 financial year, the external auditors participated in all four meetings of the Risk & Audit Committee in order to discuss audit processes as well as regulatory guidelines and monitoring. Among others, the external auditors were also involved in evaluating findings on risk factors and processes.

Key factors in assigning the external audit mandate to KPMG AG were:

- Detailed audit budget proposal containing expected hours and the relevant hourly rate
- Comprehensive debriefing after completion of audit, during which suggestions for improvement are discussed from both sides
- Quality of service provided
- International expertise in regard to audit and accounting
- Independence and reputation of the audit firm
- Industry knowledge and qualifications
- Competitive fees

The Risk & Audit Committee reviews and assesses the auditor's performance on an annual basis. In this context and in the spirit of upholding good corporate governance, Partners Group periodically conducts appraisals of the audit mandate, in which budget issues, in particular, are reviewed to ensure audit fees are kept at a competitive level in the best interests of shareholders.

Please also refer to the sections 3.5 as well 3.7.1.3 concerning the Risk & Audit Committee.

Corporate Governance Report

10. Information policy

As a company with its shares listed on the SIX Swiss Exchange AG, Partners Group is committed to pursuing an open, transparent and consistent communication strategy vis-à-vis its shareholders as well as the financial community.

Key dates for 2019 are as follows:

Event	Date
Annual General Meeting of shareholders	15 May 2019
Ex-dividend date	17 May 2019
Dividend record date	20 May 2019
Dividend payment date	21 May 2019
AuM announcement as of 30 June 2019	16 July 2019
Publication of Interim Report as of 30 June 2019	10 September 2019

Partners Group's Interim and Annual Reports are available for download on the website at www.partnersgroup.com/financialreports.

Partners Group also distributes all current news via regular press releases. All published press releases are available on the website at www.partnersgroup.com/pressreleases.

To receive all information automatically upon publication via email, shareholders and other interested parties may subscribe to press releases at www.partnersgroup.com/subscriptionform.

Partners Group's Compensation Report outlining the 2018 compensation recommendations for the Board of Directors and Executive Committee can be found on the Partners Group website at www.partnersgroup.com/compensation-report or in the 2018 Annual Report.

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11. Non-applicability/negative disclosure

It is expressly noted that any information not contained or mentioned herein is non-applicable or its omission is to be construed as a negative declaration (as provided for in the SIX Exchange Regulation Corporate Governance Directive and the Commentary thereto).

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