



As of 31 December 2019

Annual Report 2019



Partners Group

REALIZING POTENTIAL IN PRIVATE MARKETS

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2019 was another strong year for Partners Group in terms of performance. It was also a milestone year for the firm in terms of defining our approach to ownership excellence.

We are a committed responsible investor and aim to create broad stakeholder impact through our active ownership and development of great businesses, desirable real estate and essential infrastructure.

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

Key figures



professionals



offices around the world



assets under management



revenue margin^{1),2)}



revenues¹⁾



EBIT

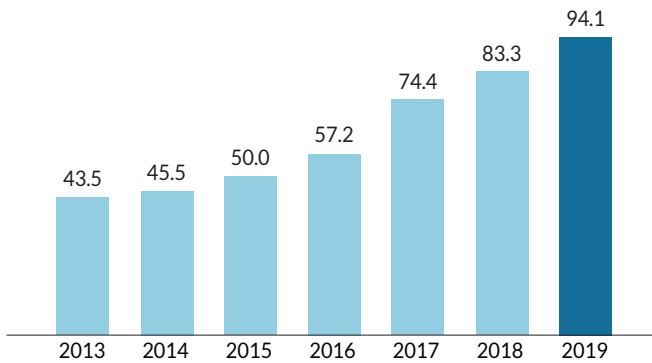


profit

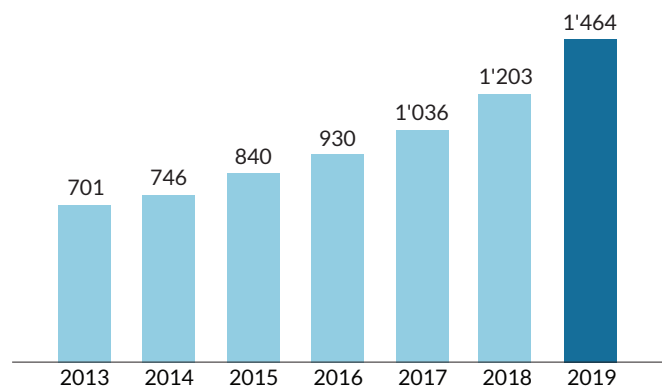


proposed dividend

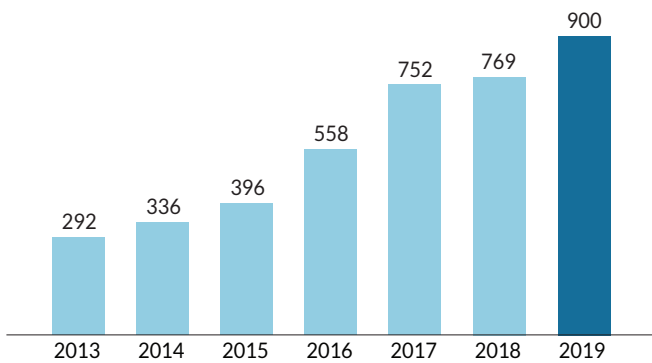
Total AuM³⁾
(in USD bn)



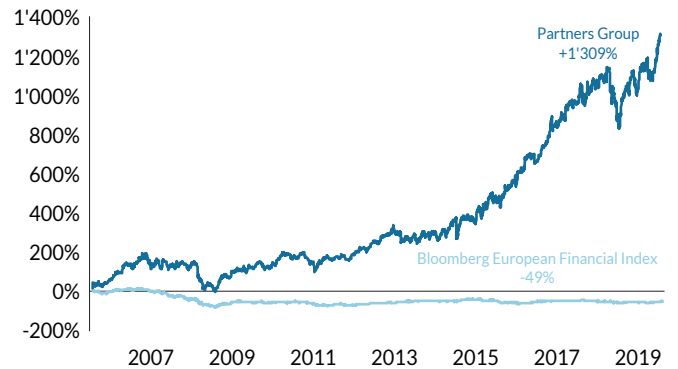
Number of professionals



Profit⁴⁾
(in CHF m)



Share price development since IPO⁵⁾



1) Revenues from management services, net, including other operating income. 2) Based on average AuM of CHF 88.4 billion in 2019 (2018: CHF 77.6 billion), calculated on a daily basis. 3) Assets under management exclude discontinued public alternative investment activities and divested affiliated companies. 4) 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. 5) As of 31 December 2019.

Key figures

Key performance indicators	2018	2019
Assets under management as of the end of the year (in USD bn) ¹⁾	83.3	94.1
Revenue margin ^{2),3)}	1.71%	1.82%
Revenues (in CHF m) ³⁾	1'326	1'610
EBIT margin ⁴⁾	65%	63%
EBIT (in CHF m) ⁴⁾	865	1'008
Financial result (in CHF m)	23	30
Profit (in CHF m)	769	900
Net liquidity position at end of year (in CHF m) ⁵⁾	1'226	1'035
Shareholders' equity (in CHF m)	1'968	2'288
Return on shareholders' equity (ROE)	39%	42%
Equity ratio	67%	58%

1) As of 31 December 2019, we have aligned our AuM reporting currency with our investment activity reporting currency by switching to USD. 2) Based on average AuM of CHF 88.4 billion in 2019 (2018: CHF 77.6 billion), calculated on a daily basis. 3) Revenues from management services, net, including other operating income. 4) EBIT has replaced EBITDA as the firm's key performance indicator as it will be a more suitable measure of operating performance going forward. 5) 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 2019

Share price (in CHF)	887.4
Total shares	26'700'000
Market capitalization (in CHF bn)	23.7
Free float ¹⁾	84.96%
Diluted shares (weighted average)	26'738'582
Diluted earnings per share (in CHF)	33.66
Dividend per share (in CHF) ²⁾	25.50
Dividend yield per share ³⁾	2.9%
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 2020 Annual General Meeting of shareholders. 3) Yield as of 31 December 2019.

Corporate calendar

13 May 2020	Annual General Meeting of shareholders
15 May 2020	Ex-dividend date
18 May 2020	Dividend record date
19 May 2020	Dividend payment date
14 July 2020	Assets under management announcement as of 30 June 2020
8 September 2020	Publication of Interim Report as of 30 June 2020

Message from the Chairman and the Co-CEOs



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

Dear clients, business partners and fellow shareholders,

We are pleased to report a strong set of results across the board for the year 2019. Clients from all regions entrusted us with USD 16.5 billion in new commitments; at the same time, we were able to invest USD 14.8 billion on behalf of our clients in attractive businesses and assets across all private markets asset classes.

"We have defined a clear roadmap for the next phase of our firm's sustainable development; 'own the business' and 'care for people'."

Management fees grew by 14% to CHF 1.1 billion during the year, in line with average AuM growth of 14%. The combination of strong underlying portfolio performance and very successful divestment activity in 2019 led performance fees to increase by 46% to CHF 0.5 billion. They represented 29% of total revenues and were at the upper end of our communicated long-term guidance of 20-30% of total revenues. Overall, total revenues increased by 21% to CHF 1.6 billion. Based on the solid growth of the underlying business, we intensified the build-out of teams across the entire organization over the last twelve months. The growth in average number of FTEs was 20% in 2019, partially driven by delayed hiring for approved 2018 positions, which carried over into 2019. Ultimately, our EBIT increased by 17%

and amounted to a record CHF 1 billion in 2019. Our EBIT margin stands at 63%. 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 25.50 per share to shareholders at the next Annual General Meeting, representing a year-on-year increase of 16%.

While our core business continued its upwards trajectory in 2019, it was a year of reflection for Partners Group's leadership team. We took stock of the factors that have contributed to our success to-date, mirrored in years of uninterrupted growth, and identified those that may slow us down in future. As a result, we were able to define a clear roadmap for the next phase of our firm's sustainable development.

The roadmap we have defined for our firm follows two key themes: "own the business" and "care for people." Both themes refer to our own operations as well as to our global portfolio of businesses and assets spanning multiple industries.

As a company founded on entrepreneurialism, we believe it is our duty to establish entrepreneurial governance frameworks for our firm and for our portfolio companies that enable value creation. At the same time, we want to ensure our own firm continues to be managed in a principled and effective manner, especially as we continue to grow. In 2019, we initiated a series of significant measures to improve our organizational effectiveness, including the launch of a new "Cell Leadership" structure, which clearly assigns ownership of day-to-day business decisions and processes to individual teams or "cells". We also established an "Operational Excellence" program to safeguard our business and strengthen our day-to-day operations and services.

Message from the Chairman and the Co-CEOs

To enable our leaders to develop their team members, we launched the PG Academy, a training platform founded with the ambition of providing relevant training for all employees worldwide at appropriate points in their career. In addition, we developed a number of other initiatives that will enable us to better care for our people and foster increased employee engagement.

We write this letter at a time when private equity's mandate is highly appreciated by many, but is being challenged by others: while existing investors in private markets remain excited about the returns and sustainable impact our investments generate for their beneficiaries, the public discourse around private investing frequently frames the industry in a less positive light. We believe that much of this more skeptical sentiment reflects unobjectively on the reality that our industry, to a large extent, creates a positive impact for the economy and society. Nonetheless, whether the perception is fair or not, as private markets investing becomes an increasingly standard building block of institutional investment management, these perspectives have the potential to truly challenge the industry. As such, they are on our mind as we ask ourselves the question: what will it take to sustain growth and success in private markets over the long run?

Our answer comes in two parts. On the one hand, we clearly need to ensure continued positive outcomes for investors. We must protect our ability to generate sustainable and superior investment returns for our clients and their beneficiaries. This is our core mandate. In order to do this we must avoid becoming victims of our own success. As a leadership team, we have therefore explored lessons from many of the large conglomerates that had their heyday in the last century, but ultimately succumbed to their own hype.

"We must not deviate from the entrepreneurial governance that is the hallmark of – and engine for – our investment success."

In our view, there are many similarities between the private markets firms of today and the conglomerates of the past: a single corporate entity holding a portfolio of businesses and assets across diverse industry sectors, centralized resources running a decentralized portfolio of assets, and the benefit of access to specialist resources, senior talent, best-in-class processes and network effects.

Where some conglomerates started to falter was in their aspiration to increase in size at all costs. Their acquisition strategy was often driven primarily by opportunistic M&A, with a focus on showing top-line revenue growth to please investors, at the cost of meaningful business development, hands-on value creation, and clear strategic positioning. Some were pushed into obsolescence when their non-core subsidiaries began to suffer from a loss of focus, a lack of strategic vision, and, ultimately, poor leadership.

This is exactly why, at this crossroads for private markets, we must not deviate from the "entrepreneurial governance" that is the hallmark of – and engine for – our investment success. We remain more convinced than ever about the merits of our own investment approach: building and managing high-performing boards for our portfolio companies and working together with management teams on targeted value creation initiatives, which enable long-term, sustainable growth. However, convinced does not mean complacent. Our approach is in constant evolution as we build on our learnings to-date and grow our investment and industry value creation teams in tandem with the growth in the number of our portfolio assets.

For the second part of our answer, we can also look to conglomerates for a lesson – albeit this time a positive one. We believe that certain conglomerates can be a role model to private markets in aspects of active stakeholder communication and engagement. Due to their very public profiles, in their prime, conglomerates enjoyed the benefits, but also faced the challenges, of a brand halo that extended across all their subsidiaries, driving the need for proactive communication beyond shareholders. In contrast, our industry has grown to this point with the perception that we do not need to actively or consistently communicate with any stakeholders who are not investors in our private partnerships. In future, we not only need to improve the communication of our broader stakeholder impact, but we also need to show we are generating superior "returns" for a broader set of stakeholders.

Message from the Chairman and the Co-CEOs

"We will consider a new Stakeholder Benefits Program, which aims to reinvest a portion of achieved value creation for the benefit of our portfolio companies' employees."

To this end, as well as being a responsible owner of businesses, we also want to be a more visible, responsible and caring employer to the more than 180'000 individuals employed by our portfolio companies. Within our investments, caring for portfolio company employees has always been high on our ESG engagement agenda. In fact, our 2019 Corporate Sustainability Report will include several examples of ESG value creation initiatives focused on serving our portfolio company employees.

However, in 2020, this topic will be of even higher strategic importance. We will spend more time and resources on elevating the work environment and financial benefits of our portfolio company employees. Our first step will be to more systematically apply some of Partners Group's own corporate initiatives across our portfolio, focusing on corporate and team culture, employee engagement, learning and development, as well as compensation and benefits. In a second step, we will consider a new Stakeholder Benefits Program, which aims to reinvest a portion of achieved value creation for the benefit of our portfolio company employees and other stakeholders.

At the end of this year, Partners Group will celebrate its 25th anniversary. As a firm, we intend to mark this milestone by being more clear-sighted than ever about our role in the economy and in society, and firm in our intention to foster success for a broad range of stakeholders. As the date approaches, we will be encouraging individual Partners Group teams to hold their own celebratory events to "give back" to their communities.

Though we will continue to adapt our roadmap to the terrain, one thing that will remain constant is our commitment to creating long-term value for all of our stakeholders: our clients, business partners, fellow shareholders, colleagues, and portfolio company employees, among many others. Thank you for your continued trust in our firm.

Yours sincerely,



Steffen Meister
Executive Chairman



André Frei
Co-Chief Executive Officer



David Layton
Co-Chief Executive Officer

2019 at a glance – Investments



Investments

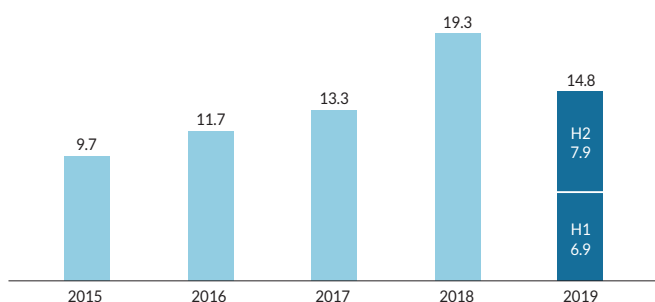
USD 14.8 billion invested on behalf of our clients in attractive and resilient businesses and assets.

Investment environment

Against a challenging backdrop of low growth and geopolitical uncertainty, we believe "offense is the new defense" in private markets investing. The main driver of returns in private markets today is growth. Therefore, we seek opportunities to build resilience instead of buying it. We do this by focusing on assets with value creation potential in sub-sectors with above-average growth rates. Paying close attention to market dynamics and applying a hands-on approach to governance and value creation are key to growing these assets during our ownership and positioning them to withstand business cycles. Our strategy in this environment is to leverage secular versus macro trends, focusing on sub-sector trends generating higher top-line growth and identifying opportunities to create value at the asset level.

On the investment side, 2019 proved to be another solid year for us. After a record investment year in 2018, we invested a total of USD 14.8 billion (2018: USD 19.3 billion) on behalf of our clients across all private markets asset classes, maintaining our highly disciplined and selective approach.

Private markets investments 2015-2019 (in USD bn)

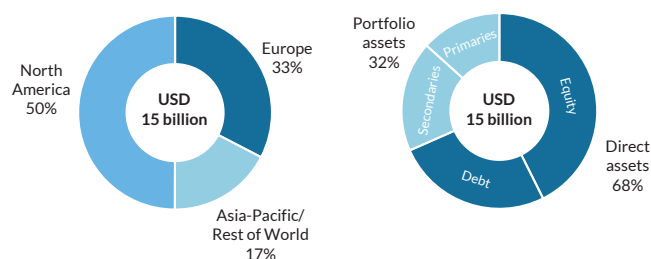


Note: figures include add-on investments but exclude investments executed for short-term loans, cash management purposes and syndication partner investments.

Out of the total amount invested in 2019, USD 10.1 billion (68% of total investment volume) was deployed in direct assets, of which USD 6.3 billion was invested as equity in individual businesses and infrastructure or real estate assets and USD 3.8 billion was invested in corporate debt. For our equity investments, our entrepreneurial ownership approach, with its focus on value creation through strong governance structures and deep industry expertise, remains the key to generating sustainable outperformance.

Investment activity remained geographically diversified in 2019, with 33% of capital invested in Europe, 50% in North America and 17% in Asia-Pacific and Rest of World, reflecting our global reach and scope. This was broadly in line with our long-term average and strategy of deploying 40% of capital in Europe, 40% in North America and 20% in Asia-Pacific and Rest of World.

Private markets investments during 2019 (in USD bn)



Note: figures include add-on investments but exclude investments executed for short-term loans, cash management purposes and syndication partner investments. Direct equity investments include all direct private equity, direct infrastructure and direct real estate investments (including direct secondary transactions where Partners Group has a controlling interest).

2019 at a glance – Investments

To complement our direct assets, we invested USD 4.7 billion (32% of total investment volume) in portfolio assets in 2019. These portfolio assets include secondary investments (USD 2.7 billion) in globally diversified private markets portfolios and select primary commitments (USD 2.0 billion) to other private markets managers.

While we continue to overweight direct opportunities from a relative value perspective, we now also see an increasingly attractive outlook for the secondaries segment in Europe and the US. We look for a high degree of overlap with our existing private equity portfolio, which allows for greater insights into the underlying assets. Infrastructure secondaries are also becoming more attractive as a result of a maturing market: secondary volume in infrastructure is expected to increase on the back of record primary fundraising over the past four to five years.

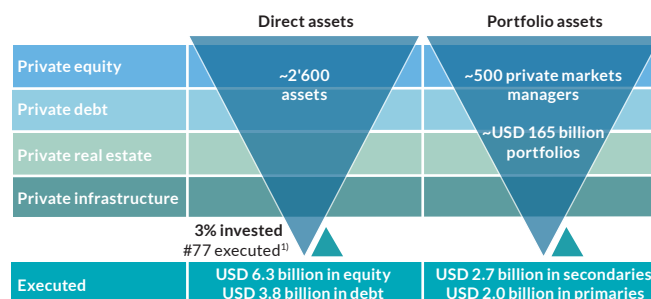
2019 deal flow remained attractive; investment process remained highly selective

Our global platform of over 1'400 talented professionals across 20 offices in key investment regions, together with our focused investment strategies, deep sector insights, wide-ranging industry network and our proprietary private markets intelligence tool PRIMERA¹ provide us with a unique ability to originate and access attractive investment opportunities around the globe while maintaining our rigorous due diligence standards in a competitive market.

In 2019, we screened around 2'600 potential direct transactions across all private markets asset classes. Of these, we invested in only the most attractive 3%, resulting in 77 direct transactions completed and a decline rate of 97%. Furthermore, our integrated investment professionals generated approximately USD 165 billion in secondary private markets assets deal flow, investing in less than 2% of this, and screened around 500 fund offerings by leading private markets managers.

¹ PRIMERA is Partners Group's proprietary private market database.

Deal flow 2019



¹) USD 6.3 billion invested in 40 equity investments and USD 3.8 billion invested in 37 debt investments; figures include add-on investments but exclude investments executed for short-term loans, cash management purposes and syndication partner investments. Direct equity investments include all direct private equity, direct infrastructure and direct real estate investments (including direct secondary transactions where Partners Group has a controlling interest).

Partners Group's investment performance

For more than two decades, our relative value approach has been our firm's principle investment philosophy when it comes to portfolio construction and investment selection.

Changing market conditions, as well as transformative and regional trends, can significantly affect the attractiveness of different sectors and industries. We therefore conduct regular analysis to identify those (sub-) sectors, regions and industry strategies likely to offer higher value relative to other segments at that time. We combine this top-down perspective with the bottom-up selection of specific assets with value creation/ upside potential (see Thematic Sourcing on page 12). This approach to investment has led to a solid, long-term track record across asset classes.

In **private equity** direct investments, we pursue control-oriented investments in platform companies, niche winners and defensive companies and leverage our inherent governance strengths to develop these companies and systematically create value. Our mature buyout funds have made 67 investments to-date, of which 51 are fully or partially-realized with an average of 3.2x gross TVPI and 29.7% gross IRR².

² Past performance is not indicative of future results. For illustrative purposes only. There is no assurance that similar investments will be made. Figures as of 31 December 2019 and include investments made in the Partners Group Direct Investments 2009 and Partners Group Direct Investments 2012. "Mature buyout funds" represent pooled average for 2009 and 2012 programs. Aggregated performance is calculated on a pooled basis. All cash flows and valuations have been converted to USD using fixed exchange rates as of report date of the track record. Figures are gross of fees to Partners Group. The performance presented reflects model performance and does not represent performance that any investor actually attained.

2019 at a glance – Investments

With our direct **private infrastructure** strategy, we target control investments in infrastructure assets and infrastructure-related businesses globally. We have an 18-year track record encompassing 56 direct infrastructure investments (34 realizations) and an average gross IRR of 19.7%³ since inception.

In **private real estate**, we have deployed more than USD 11 billion in more than 236 investments generating an investment IRR in excess of 14.7%⁴ since inception.

In **private debt**, we have a differentiated investment strategy and over 16 years of investment experience. Our solutions range from subordinated to senior financing (direct lending and broadly syndicated strategies). Since 2014, we have invested USD 9.1 billion in subordinated debt and generated an average IRR of 11.1%⁵.

Partners Group's Thematic Sourcing approach

Our Thematic Sourcing approach enables us to build a strong conviction for selected sub-sectors and remain more deliberate and disciplined in our sourcing efforts compared to a traditional top-down approach. In private equity, for example, we think about the attractiveness of sub-sectors according to multiple dimensions, including secular growth prospects and consolidation potential.

The sourcing of assets within sub-sectors is the result of a collaborative approach between our dedicated research team, which sits within our Industry Value Creation team, and our investment teams. While our research team is responsible for mapping out attractive sub-sectors and the most promising companies within them, our investment professionals play a key role in identifying actionable investment targets. Our Industry Value Creation team then identifies and implements operational and financial value creation initiatives at the asset level.

Our Thematic Sourcing approach results in a steady near- to mid-term pipeline of lead direct investment opportunities, which currently stands at around USD 100 billion for private equity. We typically perform at least one-to-two years of work, and selectively much more than that, before a desired asset becomes available for sale. We develop a deep understanding of the industry, often in an open dialogue with management teams and industry experts who can help us with due diligence and value creation early on. During this time, we also develop an in-depth understanding of the industrial logic behind the asset and establish a solid investment hypothesis. These will serve as a basis for outlining our transformation plan and composing an effective board for the asset.

An overview of the attractive sub-sectors that our research team has mapped out for each asset class and the tangible results that we have achieved with this approach can be found in our 2020 Private Markets Navigator, which can be downloaded here: www.partnersgroup.com/navigator

³ Past performance is not indicative of future results. For illustrative purposes only. Figures as of 31 December 2019. Includes all direct investments with an infrastructure focus completed since inception. All cash flows and valuations have been converted to USD using fixed exchange rates as of report date of the track record. Figures are gross of fees to Partners Group. The performance presented reflects model performance and does not represent performance that any investor actually attained. Realizations refer to fully and partially realized investments.

⁴ Past performance is not indicative of future results. For illustrative purposes only. Figures as of 31 December 2019. Represents all real estate investments (excluding primaries) that Partners Group made on behalf of its clientele since inception. All cash flows and valuations have been converted to USD using fixed exchange rates as of report date of the track record. Figures are gross of fees to Partners Group. The performance presented reflects model performance and does not represent performance that any investor actually attained.

⁵ Past performance is not indicative of future results. For illustrative purposes only. Figures as of 31 December 2019. All cash flows and valuations have been converted to USD using fixed exchange rates as of report date of the track record. Figures are gross of fees to Partners Group. The performance presented reflects model performance and does not represent performance that any investor actually attained.

2019 at a glance – Investments

Select private markets investments in 2019⁶

Private equity

In December 2019, we made a significant equity investment in **EyeCare Partners LLC** (ECP), the largest vertically integrated medical vision services provider in the US. Founded in 2015 and headquartered in St. Louis, Missouri, ECP has an extensive network of full-scope medical optometry and ophthalmology practices, with over 450 locations across 13 states throughout the US. The company employs over 500 optometrists and 85 ophthalmologists who, together with over 4'400 clinic staff, offer patients end-to-end services covering medical optometry, ophthalmology and sub-specialties, and vision correction products. ECP's model provides an integrated network of services that cover the entire lifecycle of a patient's eye care needs, which results in increased patient and physician satisfaction and retention.

Over a period of two years, our Thematic Sourcing efforts identified the medical vision segment as a highly attractive sub-sector within the healthcare sector, ripe for organic growth, expansion, and consolidation.



EyeCare Partners LLC

We will work closely with ECP's management team on strategic initiatives to support ongoing organic and acquisitive growth. Key areas of focus for these initiatives will include the following: increasing the recruitment of high-quality ophthalmologists and optometrists; optimizing the network model; expanding and maximizing ambulatory surgical center utilization; enhancing administrative processes and operating efficiencies; investing in clinical technologies that enhance patient care; and pursuing select M&A partnership opportunities that provide world-class medical vision care and patient experience.

⁶ All Partners Group investments and divestments mentioned herein were made on behalf of the firm's clients, not on behalf of Partners Group Holding AG or any of its affiliates.

Private debt

In August 2019, we committed a unitranche debt financing to **Gong Cha Group** (Gong Cha), a leading global provider of premium quality bubble and milk tea. The transaction, which also includes a significant equity kicker, supports the strategic growth investment in Gong Cha by the private equity firm TA Associates.



Gong Cha Group

Founded in 2006 in Southern Taiwan, Gong Cha offers consumers a variety of seasonal and specialty tea-based drinks. Its main offering is Taiwanese-style bubble tea, a sweet milk tea infused with tapioca pearls. Primarily utilizing a franchise model, Gong Cha reaches consumers through a variety of retail store formats, with more than 1'000 outlets in 17 countries across the globe, including Korea, Japan, Taiwan, the Philippines, Malaysia, Mexico, Australia, Canada, the UK and the US. Our debt investment supports the further expansion of the company and enhances its ability to pursue further growth.

We continue to draw upon the global presence of our private debt team to source and execute cross-border financings. In this space, our deal flow benefits from the significant volume of buyouts in the US and Europe by Asian sponsors.

The investment in Gong Cha follows an earlier investment into the unitranche debt of AGS Health, a provider of clinical documentation and revenue-cycle management solutions to healthcare providers. Including transactions in Australia, Partners Group has invested more than USD 600 million in unitranche investments over the last two years across the Asia-Pacific region.

2019 at a glance – Investments

Private infrastructure

In September 2019, we agreed to acquire a 50% stake in **EnfraGen, LLC** (EnfraGen), a leading developer, owner and operator of power generation assets in investment grade countries in Latin America. Glenfarne Group, the US-based industrial owner and operator that founded EnfraGen, has retained the remaining 50% of the business.

EnfraGen specializes in providing back-up power for grid stability and baseload renewable power generation through a portfolio of thermal, solar, and hydropower assets. Overall, EnfraGen has 1.4GW in power generation capacity across its platform, plus an executable growth pipeline. The investment in EnfraGen is supported by structural market tailwinds, namely the continued build-out of renewable power generation capacity across Latin America, and benefits from long-term stable revenues derived from a mix of regulated and contracted USD-linked cash flows. Back-up power generators such as EnfraGen play a critical role in reducing load imbalance in Latin America, and EnfraGen also provides reliable renewable energy to local communities.



EnfraGen, LLC

One of the reasons we secured the acquisition through a bilateral transaction was our proven experience in the construction and operation of power generation assets globally, particularly renewable generation assets. Going forward, we will leverage this experience to drive improvements across the existing EnfraGen platform and to further the development and construction of new projects as we continue to invest in the renewables space across the globe.

Private real estate

In April 2019, we completed the acquisition of a **portfolio of 14 Spanish real estate assets**, totaling over 91'000 sqm in gross leasable area. The assets are diversified across Spain's major cities, including Barcelona and Madrid, and sectors, including office, hotel, retail and residential. The two largest assets in the portfolio, an office building and a hotel, make up around 60% of the portfolio and are located in Barcelona. Barcelona has seen outsized job growth in the period between 2011 and 2017, with a CAGR of 1.5%⁷, compared to the Spanish average of 0.8%⁸.



Portfolio of Spanish real estate assets

During this period, this growth was driven by job creation in the services and tech-oriented sectors, with a CAGR of 5.2% in the information and communications technology sector specifically⁹.

The value creation plan for these assets consists primarily of enhancing occupancy and raising rental incomes. For the office building, a capex renovation project and lease renewals are expected to capture rental uplifts and extend weighted average lease terms. The value creation plan for the hotel will stabilize occupancy and daily room rates at market levels. Although we are cautious on hospitality in general given the sector's cyclical nature, a license ban on new hospitality supply in Barcelona introduced in 2017 supports our investment thesis for this specific property in terms of occupancy and valuation resilience.

The investment was sourced outside of a competitive process through our existing relationship with the seller via a fund investment. Given our familiarity with the portfolio, we were well positioned to provide swift underwriting and execution, and managed to exclude a number of weaker retail assets, where we had concerns on location, lease terms, and liquidity. The portfolio's relatively high occupancy at entry and the existing cash flows provide appealing downside protection.

⁷ Barcelona Activa, Barcelona City Council, 2018.

⁸ Instituto Nacional de Estadística, 2018.

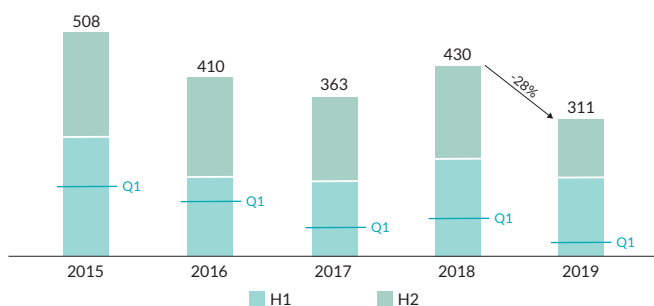
⁹ Barcelona Activa, Barcelona City Council, 2018.

2019 at a glance – Investments

Divestments in 2019

We are cognizant of the fact that the correlation of valuation levels across different market segments tends to increase during volatile times. Due to the pick-up in volatility caused by the Q4 2018 market correction, we observed many investors adopting a more cautious approach in the beginning of the year, in particular in Q1 2019. However, we observed a reasonably benign exit environment throughout the rest of the year. Nevertheless, with macroeconomic factors and geopolitical uncertainty impacting a range of investment markets, successfully navigating private markets is becoming more challenging and resulted in an overall lower global exit activity in 2019 (-28% compared to 2018).

Global private equity buyout exit activity (in USD bn)

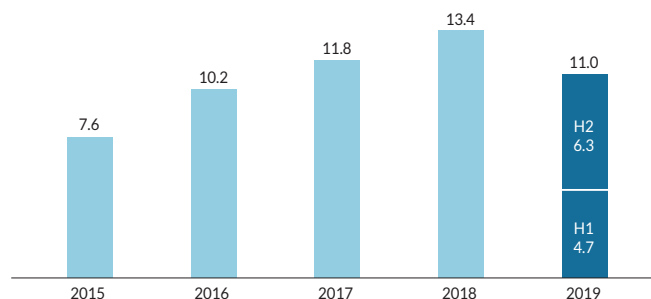


Source: Preqin Quarterly Update, Q3 2019; Preqin Pro, Q4 2019.

Investors' more cautious behavior in Q1 2019 led us to postpone select divestment decisions and, ultimately, resulted in a lower number of realizations in the beginning of the year. However, as we moved past Q1, the rest of 2019 provided us with a reasonably stable environment in which we were able to execute our planned divestment decisions. We successfully realized a number of mature private markets assets on behalf of our clients, leading to a total of USD 11.0 billion in underlying portfolio distributions in 2019 (2018: USD 13.4 billion). Some distributions to evergreen programs were re-invested for the benefit of the program's investment exposure.

Our work is guided by an entrepreneurial mindset. We aim to propel growth and drive value creation initiatives in our portfolio companies and assets and then realize value for our clients with a carefully planned exit strategy.

Partners Group's underlying gross portfolio realizations (in USD bn)



A good example of this approach is the sale of our stake in **Billy Bishop Toronto City Airport's** (BBTCA's) passenger terminal at the beginning of 2019. We acquired the BBTCA passenger terminal together with our partners in the Nieuport Aviation consortium in January 2015. Over the last few years, Nieuport Aviation has added significant value to the terminal, including helping to secure key approvals to facilitate building a US border pre-clearance facility, as well as completing a major upgrade of the terminal. The latter added more spacious passenger lounges; new food, beverage and retail concessions; and an additional gate. With the completion of the terminal upgrade project, we concluded a major value creation program and therefore felt the time was right to divest our stake and realize a 1.81x return on our original investment.



Billy Bishop Toronto City Airport

2019 at a glance – Investments

Another noteworthy example represents the sale of **Vermaat Groep B.V.** (Vermaat), the Dutch market leader in high-end catering and hospitality services, which we announced in October 2019. We acquired Vermaat from its founding family in 2015, when it had a total of 231 outlets in the Netherlands and generated annual sales of EUR 138 million. We have added significant value to Vermaat through active ownership, with initiatives including the implementation of a new brand concept and strengthening of the management team. Additionally, ten synergistic add-on acquisitions were completed under our ownership, strengthening Vermaat's market leadership in its core customer segments of Corporate, Leisure, Hospitals and Travel, and expanding its geographical coverage. At the time of the sale, Vermaat had around 350 premium food and beverage outlets across the Netherlands, including restaurants, bistros, cafés and canteens, and a growing presence in Germany. The Company employed over 4'000 people and generated close to EUR 300 million of sales in 2019. Vermaat was acquired by Bridgepoint at the end of 2019. We retain a minority position following the transaction. The sale generated a 2.75x return on our original investment.



Vermaat Groep B.V.

In December 2019, we successfully sold the "**City Campus**" office complex, situated on Saatwinkler Damm in the Charlottenburg district of Berlin, for a transaction value of around EUR 200 million. We were able to source the asset off-market in March 2018, given our relationship with key members of the selling consortium following a failed sale. The property includes 55'640 sqm of rental area and 479 parking spaces across six buildings. During our ownership period we leased up 80% of the space and increased average rents by 66%. The sale generated a return in excess of 3.0x on our original investment.

In December 2019, we agreed to sell our stake in **Merkur Offshore** (Merkur), a 396MW offshore wind farm located in the North Sea. We, together with the consortium of Merkur shareholders, acquired Merkur in August 2016, in line with our firm's relative value strategy of proactively building core assets. Over the last three years, Merkur has been transformed from a construction-ready development site to a utility-scale wind farm within the German exclusive economic zone off the North Sea coast. Now fully operational, Merkur comprises 66 General Electric (GE) Haliade-150 6MW offshore wind turbines, which are capable of supplying green energy to approximately 500'000 households. The project benefits from a guaranteed feed-in-tariff until 2033 and has a ten-year operations and maintenance agreement with GE Renewable Energy for the service and maintenance of the turbines. Partners Group and the consortium worked closely with Merkur's management team over the last three years to create value, including delivering the construction in line with budget, optimizing the operations for the next 30 years, building a strong in-house team for Merkur and strengthening the capital structure with a refinancing. We are proud to have supported Merkur through its key value creation period, from development project to fully operational core asset and to have realized a return of more than 2.0x on our original investment.

In November 2019, we agreed to sell our equity stake in **Action**, Europe's leading non-food discount retailer. The stake was acquired by Hellman & Friedman. Partners Group has held its position in the company since 2011. The transaction valued Action at an enterprise value of EUR 10.25 billion. Established in 1993, Netherlands-headquartered Action operated 1'325 stores across seven countries and employed around 46'000 staff as of 2018. Its core product assortment includes decoration, DIY, garden and outdoor, household goods, multimedia, sports, stationery and hobby, toys and entertainment, food and drink, laundry and cleaning, personal care, pets, clothing and linen. Action uses large-scale procurement, flexible assortment, optimal distribution and a cost-conscious corporate culture to ensure very low prices for its customers. Action generated net sales of over EUR 4 billion in 2018. We are pleased to have been able to support the company through its rapid expansion across Europe over the past eight years. Action has been able to generate extraordinary growth by combining an entrepreneurial culture with a unique retail format. While the sale of our stake in Action generates a very attractive return for our clients, we leave the company extremely well-positioned for continued future growth.

2019 at a glance – Clients



Clients

USD 16.5 billion gross client demand in 2019; AuM stands at USD 94 billion.

The global fundraising environment remained generally supportive and continued to attract a wide and growing range of investors who are looking for the higher returns that can be found in private markets. Private markets investments play an ever-increasing role in the portfolio construction of investors as they also provide the benefits of diversification and risk/return enhancement.

A broad range of investors are seeking to further build out their exposure to private markets and we aim to meet this demand with our traditional private markets programs and via our bespoke solutions. These range from mandates for large institutions, which allow us to steer investment exposure across multiple private markets asset classes in line with clients' longer-term investment horizons, to evergreen programs for private individuals who are increasingly recognizing the benefits of private markets.

AuM grew to USD 94 billion

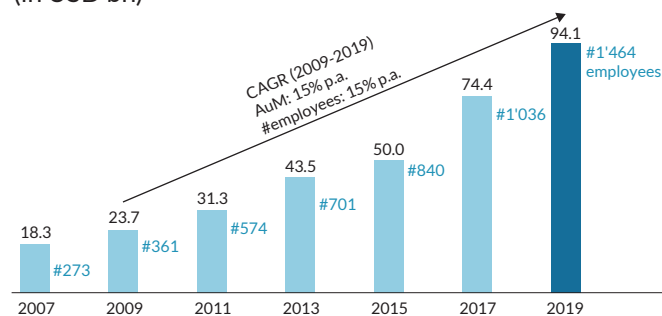
We aim to mirror the fee basis for our various investment programs and mandates when calculating AuM. As such, AuM covers investment programs, mandates and select assets to which we provide fee-paying investment management or advisory services¹⁰. In 2019, we received USD 16.5 billion in new commitments from our global client base across all private markets asset classes (guidance provided at the beginning of the year: USD 14.5 to 18.0 billion)¹¹. This demand for programs and mandates brings total AuM to USD 94.1 billion as of 31 December 2019 (31 December 2018: USD 83.3 billion), representing a net growth of 13%.

¹⁰ For more information on our AuM please see our definition in the section "Alternative Performance Metrics" on page 32.

¹¹ EUR guidance for the full-year was EUR 13-16 billion; in USD, guidance translates into USD 14.5-18.0 billion, rounded to the next 0.5 billion (average EUR/USD FX-rate of 1.12).

As of 31 December 2019, we have aligned our AuM reporting currency with our investment activity reporting currency by switching to USD. This reflects the growing importance of USD-denominated assets as a proportion of AuM. As of the end of the year 2019, USD-denominated AuM already represented 38% of total AuM, with the remainder denominated in a variety of other currencies.

Total AuM (in USD bn)

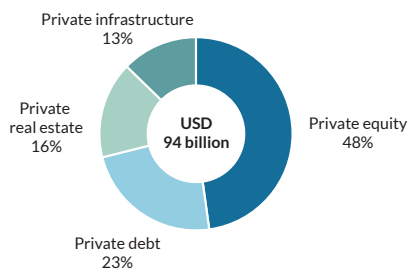


Note: assets under management exclude discontinued public alternative investment activities and divested affiliated companies held up to 2013. Growth rate equals the compound annual growth rate. Please refer to the "Alternative Performance Metrics" section on page 32 of this annual report for more information about the definition of AuM.

2019 at a glance – Clients

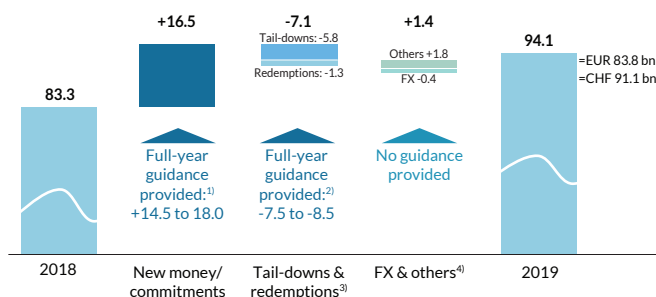
The breakdown of total AuM as of 31 December 2019 is as follows: USD 45 billion private equity, USD 22 billion private debt, USD 15 billion private real estate, and USD 12 billion private infrastructure. It is noteworthy to mention that our AuM have become increasingly diversified. As of end 2019, our combined AuM in Private Debt, Private Real Estate and Private Infrastructure represented for the first time more than 50% of our total AuM.

AuM by asset class



Alongside new commitments received during the period, tail-down effects from mature private markets investment programs and redemptions from evergreen programs amounted to a total of USD -7.1 billion (full-year guidance for tail-downs and redemptions: USD -7.5 to -8.5 billion). These were skewed towards the second half of the year as a number of larger closed-ended programs reached the end of their lifetime. A positive contribution of USD +1.8 billion stemmed mainly from performance- and investment-related effects from a select number of investment programs. The remaining USD -0.4 billion was driven by foreign exchange effects. Overall, this resulted in net AuM growth of USD 10.8 billion during the period.

Total AuM development in 2019 (in USD bn, except where stated otherwise)



1) EUR guidance for the full-year was EUR 13-16 billion; in USD, guidance translates into USD 14.5-18.0 billion, rounded to the nearest 0.5 billion (average EUR/USD FX-rate of 1.12).
 2) EUR guidance for the full-year was EUR -6.5 to -7.5 billion; in USD, guidance translates into USD -7.5 to -8.5 billion, rounded to the nearest 0.5 billion (average EUR/USD FX-rate of 1.12).
 3) Tail-downs & redemptions: tail-downs consist of maturing investment programs (typically closed-ended structures); redemptions stem from semi-liquid evergreen programs.
 4) Others consist of performance and investment program changes from select programs.

Client demand across all asset classes

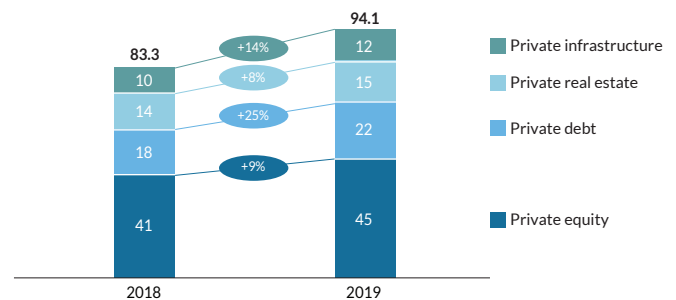
Private equity was the largest contributor to assets raised in 2019, representing 43% of all new commitments (USD 7.1 billion). Demand was tilted towards the first half of the year and split across a wide range of different programs and mandates, with our next-generation private equity flagship program and our evergreen programs being the main contributors. Our private equity AuM grew by 9% in 2019.

Private debt saw strong inflows in 2019, which represented 30% of all new commitments (USD 5.0 billion). Demand was spread over several different programs and mandates focused on our direct lending activities, which contributed about three quarters of the assets raised, and our collateralized loan obligation (CLO) business, which contributed about one quarter of assets raised. Today, our CLO business represents around 4% of our AuM, but this proportion is expected to grow in the years to come, depending on market receptiveness to CLOs. Private debt AuM grew by 25% in 2019, making it the fastest-growing business line within our firm.

Private real estate new commitments represented 15% of overall new client demand (USD 2.5 billion). Almost half of our new assets raised stemmed from our real estate opportunities investment strategy. The year-on-year growth rate of private real estate AuM amounted to 8% in 2019.

Client demand for **private infrastructure** made up 12% of all new commitments (USD 1.9 billion). Client demand was predominantly driven by our diversified global infrastructure offering and mandates. We started marketing our new direct flagship offering towards the end of 2019 and we expect that to make a meaningful contribution to fundraising in 2020. Private infrastructure AuM increased by 14% in 2019.

Net AuM growth by asset class (in USD bn)



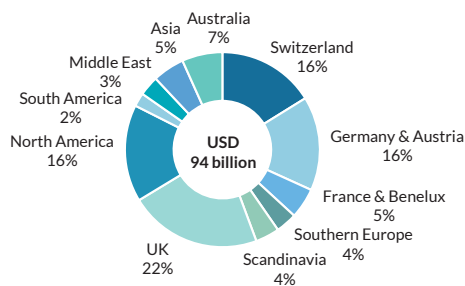
2019 at a glance – Clients

Client demand by region

We have an international client base of over 900 institutions around the world. In 2019, client demand was again well-diversified across regions: North America accounted for the largest share of client demand, with 19% of new inflows, followed by the United Kingdom and Switzerland, which represented 17% of client demand each. Notably resilient countries were Germany and Australia, which contributed 12% and 10% of total inflows, respectively. The remainder stemmed from all other regions, with Asia and France making strong contributions.

Following these inflows in 2019, our total AuM by region as of 31 December 2019 stands as follows.

AuM by region



Client demand by type

The USD 16.5 billion inflows in 2019 stemmed from a broad and diverse range of clients, as outlined below.

In 2019, **corporate, public and other pension funds** continued to be the key contributors to AuM growth, representing 42% of total client demand. These investors typically seek to further enhance the risk/return profile of their portfolios by increasing their private markets exposure.

We saw continued demand from **distribution partners (banks and others)**, which accounted for 20% of client demand in 2019. They represent private individuals and smaller institutional investors, who 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 semi-liquid evergreen programs, which offer quarterly, limited monthly and, in some cases, limited daily liquidity.

Insurance companies accounted for 7% of overall inflows in 2019, displaying particular appetite for yield-generating private debt offerings as well as renewed interest for equity investments.

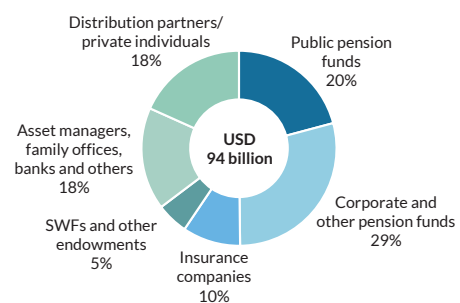
Sovereign wealth funds and endowments accounted for approximately 7% of total assets raised in 2019 and generally engage with us seeking highly tailored private markets solutions to complement their existing portfolios.

Banks also supported our fundraising, with a focus on our CLO offerings. They strengthened our position in the European and US broadly syndicated debt markets and made up 7% of our total fundraising in 2019.

A further 17% of total client demand stemmed from **asset managers, family offices and other investors**.

Following these inflows in 2019, our total AuM by investor type as of 31 December 2019 stands as follows.

AuM by type



2019 at a glance – Clients

Client demand by product structure

In 2019, client 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 tailored solutions to meet the specific client needs of larger institutional investors. 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. Some 32% (USD 5.3 billion) of our client commitments in 2019 stemmed from relationships with clients through such mandates.

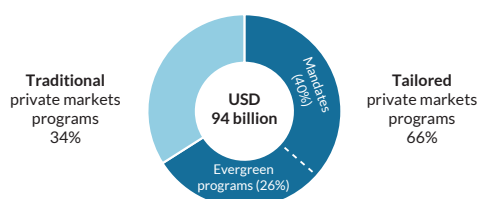
An additional 29% (USD 4.8 billion) of new commitments stemmed from our **evergreen programs**. These open-ended vehicles cater mostly to private individuals who are increasingly recognizing the benefits of private markets; they have no contractual end, but are subject to potential redemptions (initially provided via their allocation to more liquid assets). We have been a pioneer in the structuring of such evergreen programs for investors. We currently manage 26% of our AuM (USD 24.0 billion) in evergreen programs, of which USD 21.6 billion are subject to potential redemptions.

Gating provisions are a standard feature of these evergreen programs in order to protect remaining investors as well as performance; net redemptions in these investment programs are typically limited to 20-25% p.a. of the prevailing net asset value, depending on the investment strategy and content of the program. When deemed in the best interest of the investment program, stricter gating rules can be enforced for select share classes for a period of up to two years.

The remaining 39% (USD 6.4 billion) of overall inflows in 2019 was raised via **traditional private markets programs**, typically limited partnerships, with a pre-defined contractual life often with an initial term of 10-12 years for closed-ended equity offerings and 5-7 years for closed-ended debt offerings.

Following these inflows in 2019, our total AuM by product structure as of 31 December 2019 stands as follows.

AuM by program structure

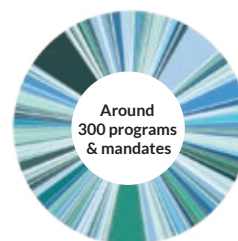


Around 300 portfolios under management

Managing complex private markets portfolios is our strength and a key differentiator for our firm. We currently manage around 300 diverse private markets portfolios in different stages of their lifecycle and across all private market asset classes. These encompass traditional private markets vehicles such as comingled, closed-ended limited partnerships; mandates for large institutions, which allow us to steer investment exposure across multiple private markets asset classes in line with clients' longer-term investment horizons; and evergreen programs.

As of 31 December 2019, our two largest investment programs, which are both globally diversified, accounted for 12% of our AuM. While the largest program combines private equity and private debt investments and caters to private investors in the US, the second largest program offers investors exposure to all private equity investment strategies.

Private market programs and mandates relative to AuM



Note: total AuM of USD 94 billion as of 31 December 2019.

2019 at a glance – Client outlook



Client outlook

Solid **gross client demand** expected for 2020; confirmed guidance of **USD 15-19 billion**.

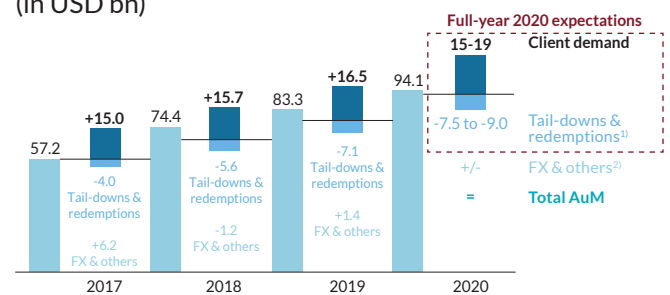
Based on robust client demand for programs and mandates and facilitated by the solid increase in our investment capacity, we confirm our guidance of USD 15-19 billion for the anticipated bandwidth of gross client commitments for the full-year 2020. This guidance assumes that the fundraising environment will remain benign, which is our base case scenario.

Our full-year estimates for tail-down effects from the more mature Partners Group programs and potential redemptions from semi-liquid programs have not changed and amount to USD -7.5 to -9.0 billion.

Fundraising will be spread across a variety of programs spanning all private markets asset classes, including flagship programs, customized mandates and the firm's extensive range of innovative evergreen programs.

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

AuM, client demand and other effects (in USD bn)



1) Tail-downs & redemptions: tail-downs consist of maturing investment programs, (typically closed-ended structures); redemptions stem from evergreen programs.

2) Others consist of performance and investment program changes from select programs.

2019 at a glance – Financials



Financials

EBIT reached **CHF 1 billion** in 2019; proposed **dividend of CHF 25.50** per share.

Strong client demand and the continued success of our investment activities enabled us to generate a solid 13% increase in AuM in 2019. During the same period, underlying portfolio realizations amounted to USD 11.0 billion (2018: USD 13.4 billion). The market uncertainty at the beginning of the year, caused by the market correction in Q4 2018, led us to postpone certain divestment decisions and, ultimately, resulted in a lower number of realizations in the first half of the year. However, supported by a benign exit environment in the second half of the year, we successfully exited many mature assets and saw a disproportional increase in performance fees from CHF 130 million in H1 2019 to CHF 343 million in H2 2019, bringing full-year performance fees to CHF 473 million.

As a result, total revenues¹² rose 21% to CHF 1'610 million during the period. To support underlying business growth, we have intensified the build-out of our teams across the entire platform over the last twelve months. The growth in average number of FTEs was 20% in 2019 (2018: +14%), partially driven by delayed hires for approved 2018 positions, which were carried over into 2019. This resulted in an increase of regular personnel expenses of 24% in 2019 (2018: +17%), which compares to an increase in management fees of 14% (2018: +15%). Further to this, the strong increase in performance fees (+46%) led to a corresponding increase in performance fee-related compensation, lifting total personnel expenses disproportionately by +30% compared to the 21%

¹² Revenues from management services, net, and including other operating income.

Key financials

	2018	2019	Growth
AuM as of the end of the year (in USD bn) ¹⁾	83.3	94.1	+13%
AuM as of 31 December 2019 (in CHF bn)	82.1	91.1	+11%
Average AuM as of the end of the year (in CHF bn) ²⁾	77.6	88.4	+14%
Revenue margin ^{2),3)}	1.71%	1.82%	
<i>Attributable to management fee margin⁴⁾</i>	76%	71%	
<i>Attributable to performance fee margin</i>	24%	29%	
Revenues (in CHF m) ³⁾	1'326	1'610	+21%
<i>Management fees (in CHF m)⁴⁾</i>	1'002	1'138	+14%
<i>Performance fees (in CHF m)</i>	324	473	+46%
EBIT (in CHF m) ⁵⁾	865	1'008	+17%
EBIT margin ⁵⁾	65%	63%	
Profit (in CHF m)	769	900	+17%

1) As of 31 December 2019, we have aligned our AuM reporting currency with our investment activity reporting currency by switching to USD. 2) Based on average AuM, calculated on a daily basis. 3) Revenues from management services, net, and other operating income. 4) Management fees and other revenues, net, and other operating income. 5) EBIT has replaced EBITDA as the firm's key performance indicator as it will be a more suitable measure of operating performance going forward.

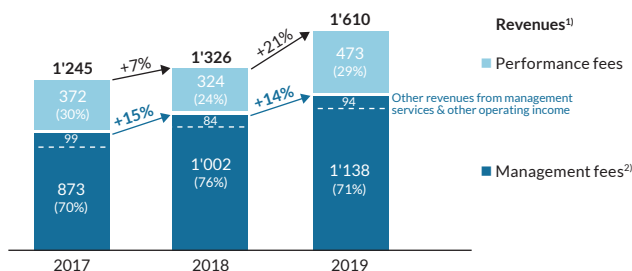
2019 at a glance – Financials

growth in total revenues. As a result, total EBIT increased by 17% to CHF 1'008 million (2018: 865 million). The EBIT margin stands at 63% (2018: 65%). Profit increased by 17% year-on-year to CHF 900 million (2018: CHF 769 million), in line with EBIT growth.

Management fees grow in line with AuM

Management fees increased by 14% in 2019, amounting to CHF 1'138 million (2018: CHF 1'002 million), in line with average AuM growth of 14%. We generated other management fee-related revenues of CHF 94 million (2018: CHF 84 million), which included income earned for fundraising and investment services amounting to CHF 31 million (2018: CHF 38 million), as well as other operating income earned for treasury management and short-term financing services amounting to CHF 63 million (2018: CHF 46 million).

Revenue development (in CHF m)



1) Revenues from management services, net, and other operating income.
2) Management fees and other revenues, net, and other operating income.

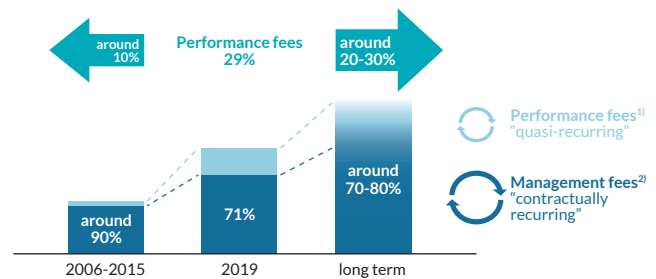
Management fees will continue to be the main source of revenues

Management fees will continue to dominate our firm's revenues in the years to come. Given the anticipated growth in the firm's AuM, management fees are expected to make up around 70-80% of total revenues in a calendar year. In 2019, total management fees represented 71% of total revenues (2018: 76%).

- Management fees will be recurring as they are based on long-term client contracts, often with an initial term of 10-12 years for closed-ended equity offerings and 5-7 years for closed-ended debt offerings. Such closed-ended offerings represented 34% of our total AuM as of the end of 2019.

- Management fees from mandates are to be considered as contractually recurring as capital is committed via long-term partnerships, which are often not limited to a specific contractual life and will continue for a perpetual term, unless new commitments are discontinued. Mandates represented 40% of our AuM as of the end of 2019.
- Management fees can also derive from our evergreen programs. These are predominantly semi-liquid investment programs that have no contractual end and cater predominantly to retail clients/high-net-worth individuals; they represented 26% of AuM as of the end of 2019¹³.

Management fees are contractually recurring



1) Assuming that the market remains favorable to exits, Partners Group expects to continue to generate significant performance fees from the underlying client portfolios due to the visibility that it has on the life cycles of its programs.
2) Management fees and other revenues, net, and other operating income.

In 2019, performance fees amounted to CHF 473 million (2018: CHF 324 million) and represented 29% of total revenues for the full-year (2018: 24%). The expected full-year guidance for performance fees as a proportion of total revenues was 20-30%, assuming that the market remained favorable to exits.

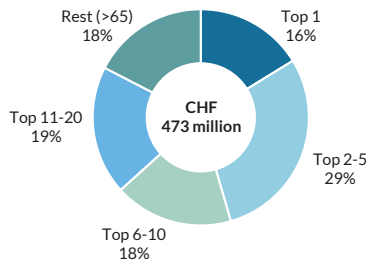
Performance fees contributed meaningfully to our total revenues in the second half of the year and amounted to CHF 343 million in H2, as compared to CHF 130 million in H1. The significant increase in performance fees in H2 2019 was due to a combination of strong underlying portfolio performance and successful divestment activity.

¹³ Gating provisions are a standard feature of these evergreen programs in order to protect remaining investors as well as performance; net redemptions in these investment programs are typically limited to 20-25% p.a. of the prevailing net asset value, depending on the investment strategy and content of the program. When deemed in the best interest of the investment program, stricter gating rules can be enforced for select share classes for a period of up to two years.

2019 at a glance – Financials

As of 2019, more than 85 investment programs and mandates were contributing to performance fees. 2019 performance fees were driven by dozens of underlying assets. The largest contributing investment program was an evergreen program catering to US investors. It contributed 16% of the total amount of performance fees. The largest single exit in 2019 was the sale of our stake in Action, Europe's leading non-food discount retailer (refer to page 16), which accounted for 24% of total performance fees.

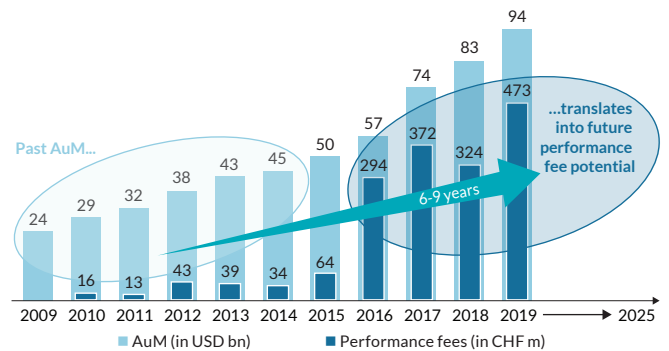
Performance fee contribution by number of investment programs and mandates



Performance fee outlook

In the long term, future performance fee potential is expected to grow in line with AuM. We currently manage around 300 diversified investment programs and mandates at different stages of their lifecycle. Most of these vehicles entitle the firm to a performance fee, typically subject to pre-agreed return hurdles (see performance fee recognition further below). Due to this diversification, we anticipate that performance fees will be earned regularly from a wide range of investment vehicles going forward, making them a "quasi-recurring" source of income, assuming market conditions remain broadly supportive.

Performance fee development



Note: assuming that the market remains favorable to exits, Partners Group expects to continue to generate significant performance fees from the underlying client portfolios due to the visibility that it has on the life cycles of its programs.

Significant performance fee potential embedded

Future performance fees cannot be estimated reliably. If value creation in clients' portfolios is strong, investment performance for clients should improve, which will ultimately result in a higher amount of performance fees being generated. On the other hand, should there be limited value creation during the holding period of an investment, performance fees could be significantly lower (or even zero).

Between 2007-2012, we invested around USD 25 billion in private markets, which generated the majority of performance fees between 2016-2019 (in sum CHF ~1.5 billion). Since 2012, we invested a further USD 84 billion in private markets assets and have so far created substantial value in our client portfolios. We believe that this value creation within our current portfolio translates into significant mid- to long-term performance fee potential, assuming that the market remains favorable to exits.

2019 at a glance – Financials

Performance fee recognition

In private markets, performance fees are designed to remunerate investment managers for the long-term value creation for their clients. They are a profit-sharing incentive for investment managers when their investment programs outperform a pre-agreed return hurdle, typically defined over the lifetime of such program. In closed-ended investment programs, 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 illustrative example below shows the performance fee model of a typical limited partnership program. It shows how distributions in private markets portfolios bring forward the maturity profile of an investment program and increase the likelihood that the required return hurdle is reached.

Illustrative example of a closed-ended private markets program over its lifetime

This illustrative example assumes an initial client commitment of 100 into a closed-ended investment program. It is agreed that the investment manager shall receive 20% of profits over time and that the return hurdle shall translate to distributions to the client of 140.

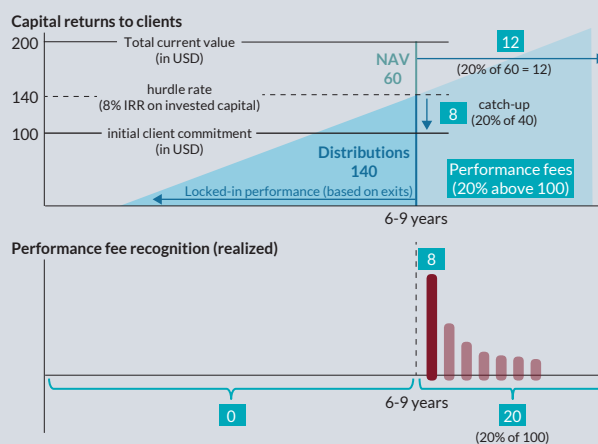
After a few years the investment manager generates realizations in the portfolio and starts making distributions to the client. After 6-9 years, the cumulative distributions (blue triangle) received by the client exceed 140, i.e. the hurdle rate. In a first step, the investment manager is entitled to receive subsequent distributions above the return hurdle as performance fees, until the investment manager “catches-up” on past performance in excess of the client investment (“catch-up” on $140 - 100 = 40$, and $40 \times 20\%$ performance fees = 8).

In a second step the investment manager and the client will share any additional distributions stemming from the sale of the remaining portfolio over time according to the pre-defined performance-sharing mechanism. In our example the client receives 80% of distributions and the investment manager receives 20%. The example assumes 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.

Total performance fees received is 20 (20% of $40 + 20\%$ of $60 = 8 + 12$) and clients receive 80% of profits ($80\% \times (200 - 100)$).

Performance fee model in a closed-ended investment program



Note: performance fees of performance fee generating investment programs and mandates typically range between 5-20% over a hurdle of 4-8% IRR on invested capital, depending on the program and instruments. For illustrative purposes only.

Performance fee recognition rules

The timing and amount of performance fee payments depends on several factors, including the pace of deployment, performance of investments and pace of realizations (cash distributions). Partners Group recognizes performance fees once it is highly probable that performance fees will be received and retained permanently, irrespective of subsequent performance of that program. This is described through the following steps:

- Step 1, we consider performance fees which would be due to realized investments only, taking into account the agreed profit-sharing mechanism, including the agreed hurdle return.
- Step 2, we consider performance fees expected on the aggregate program, i.e. on the combination of realized and unrealized investments. We include the value of unrealized investments with a significant discount (typically 50%, depending on the investment strategy). This discount is chosen such that performance fees are highly likely to be permanent, including in case of subsequent negative program development, i.e. such that the likelihood of a potential claw-back situation is minimal.

2019 at a glance – Financials

- Step 3, performance fees are only recognized on the lower of either realized investments (Step 1) or the combination of realized and stress-tested unrealized investments (Step 2).

The illustrative example below explains the conservative approach for performance fee recognition described above.

Illustrative example of performance fee recognition in a closed-ended program

This simplified example assumes that with initial client commitments of 450, a fund made only two acquisitions: investment Y for 100 and investment Z for 350. Furthermore, it is assumed that the value of investment Y increases to 200 and the value of investment Z increases to 800 for Scenarios 1 and 2, and to 500 for Scenario 3.

The performance fee recognition under these three scenarios would be as follows:

Scenario 1: No realizations (hurdle rate met)

Investment Y increases to	200
Investment Z increases to	800
Remaining NAV	1'000

- Step 1: as there were no realized investments, we would not be entitled to a performance fee. Performance fees = 0.
- Step 2: NAV stress-test: $1'000 \times 50\% = 500$; 500 (stress-tested NAV) – 450 (cost of investments Y and Z) = 50 (value gain); 50 (value gain) $\times 20\% = 10$ in performance fees.
- Step 3: as performance fees can only be recognized on the lower of realized investments (step 1: performance fee = 0) vis-à-vis the combination of realized and stress-tested unrealized investments (step 2: performance fee = 10), we would not recognize any performance fees.

Scenario 2: Investment Y realized (hurdle rate met)

Investment Y realized for	200
Investment Z increases to	800
Remaining NAV	800

- Step 1: as investment Y was realized for 200, we would be entitled to a performance fee as hurdle rate at asset level is met. $200 - 100 = 100$ (value gain); 100 (value gain) $\times 20\% = 20$ performance fees.

- Step 2: stress-test on remaining NAV: 800 (unrealized investment Y) $\times 50\% = 400$; 400 (stress-tested NAV) + 200 (realized investment Y) – 450 (cost of investment Y and Z) = 150 (value gain); 150 (value gain) $\times 20\% = 30$ performance fees.
- Step 3: as performance fees can only be recognized on the lower of realized investments (step 1: performance fee = 20) vis-à-vis the combination of realized and stress-tested unrealized investments (step 2: performance fee = 30), we would recognize 20 performance fees.

Scenario 3: Investment Y realized (hurdle rate not met)

Investment Y realized for	200
Investment Z increases to	500
Remaining NAV	500

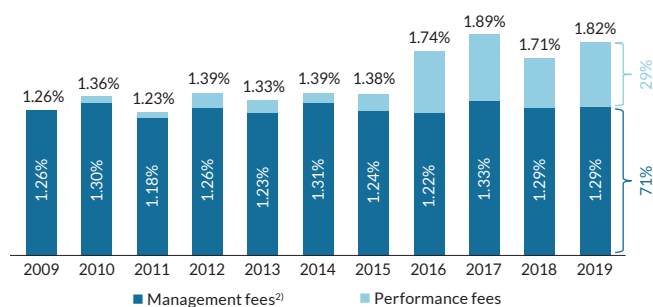
- Step 1: as investment Y realized for 200, we would be entitled to a performance fee as hurdle rate at asset level is met. $200 - 100 = 100$ (value gain); 100 (value gain) $\times 20\% = 20$ performance fees.
- Step 2: stress-test on remaining NAV: 500 (unrealized investment Y) $\times 50\% = 250$; 250 (stress-tested NAV) + 200 (realized investment Y) – 450 (cost of investment Y and Z) = 0 (value gain); as the stress-test brings the overall return hurdle of the program in this example below the pre-agreed threshold, no performance fees can be recognized.
- Step 3: as the hurdle rate has not been met, we will not recognize any performance fees, despite there being realized investments.

2019 at a glance – Financials

Stable revenue margin from management fees

The majority of our revenue base is still recurring and based on long-term contracts with our clients, providing highly visible cash flows. In 2019, the management fee margin remained stable, amounting to 1.29% (2018: 1.29%). Total revenue margin, including performance fees, amounted to 1.82% (2018: 1.71%).

Revenue margin development¹⁾



1) Calculated as revenues divided by average assets under management, calculated on a daily basis.

2) Management fees and other revenues, net, and other operating income.

Platform build-out intensified in 2019; personnel expenses grew disproportionately

In 2019, we hired and onboarded a total of 261 net new professionals across the entire platform to increase our investment capacity and to support major business, corporate and organizational initiatives. This included the delayed hiring of certain positions from our 2018 hiring pool. Our focus on expanding the investment platform resulted in stronger growth in the number of investment professionals compared to other departments. As of 31 December 2019, we counted 1'464 professionals globally.

Strong team growth globally in 2019

# of professionals	Americas	Europe	APAC
Investments	+47	+58	+23
Clients	+7	+16	+13
Services	+8	+9	+41
Corporate	+12	+2	+25
Total (+261)	+74	+85	+102

Note: from 1 January to 31 December 2019.

The average number of FTEs grew by 20% to 1'337 (2018: 1'110 average FTEs), while regular personnel expenses grew by 24% to CHF 306 million (2018: CHF 247 million). With the disproportionate increase of performance fees of 46% to CHF 473 million (2018: CHF 324 million) and the related up to 40% allocation to our professionals, performance-fee related expenses grew by 43% to CHF 185 million (2018: CHF 129 million). This resulted in an increase of total personnel expenses at a higher rate (+30%) than total revenues (+21%).

Personnel expenses outgrew revenues (in CHF m)

	2018		2019
Revenues	1'326	+21%	1'610
Total operating costs, of which	-461	+31%	-603
Personnel expenses	-377	+30%	-490
<i>Personnel expenses (regular)</i>	-247	+24%	-306
<i>Personnel expenses (performance-fee-related)</i>	-129	+43%	-185
Other operating expenses	-68	+16%	-79
Depreciation & amortization ¹⁾	-17	+101%	-34
EBIT	865	+17%	1'008
EBIT margin	65%	-2%-points	63%

Note: revenues include management fees and other revenues, net, performance fees and other operating income. Regular personnel expenses exclude performance fee-related expenses. Performance-fee-related personnel expenses are calculated on an up to 40% operating cost-income ratio on revenues stemming from performance fees.

1) The increase was mainly driven by CHF 13 million of depreciation on newly recognized right-of-use assets in relation to lease contracts as required by the newly adopted IFRS 16. Until 2018, these lease expenses were reported as part of other operating expenses.

Other operating expenses grew by 16% to CHF 79 million (2018: CHF 68 million) mainly due to the growth of the overall platform internationally and the build out of our local premises. Depreciation & amortization increased to CHF 34 million (2018: CHF 17 million), driven by the depreciation impact of our newly built Denver campus and by the application of new requirements for the recognition of leases (IFRS 16). In 2019, these included CHF 13 million of depreciation expenses on newly recognized right-of-use assets in relation to lease contracts which were previously reported as part of other operating expenses.

2019 at a glance – Financials

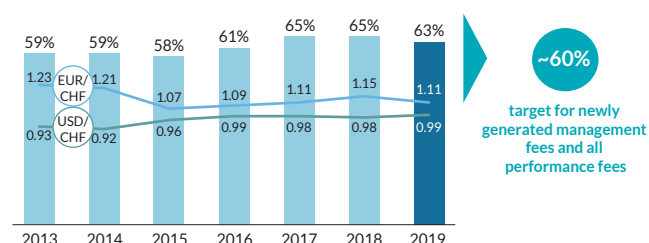
We remain disciplined in our approach to cost management and continue to steer the firm based on our targeted up to 40% operating cost-income ratio on newly generated management fees (assuming stable foreign exchange rates). We also allocate up to 40% of revenues stemming from performance fees to our teams through our long-term incentive programs and/or bonus payments. The remainder (~60%) will be allocated to the firm and its shareholders.

EBIT is our new key operating performance indicator

In 2019, we changed our primary key operating performance indicator from EBITDA to EBIT. The application of IFRS 16 Leases as of 1 January 2019 resulted in the recognition of right-of-use assets and lease liabilities on the balance sheet. As a result, a lessee recognizes depreciation expenses of the right-of-use assets, whereas, before IFRS 16 became effective, leasing expenses (for Partners Group this was predominantly office rents) were included in other operating expenses. This change in accounting policy supported the development of our EBITDA with a CHF 13 million contribution, resulting in total EBITDA of CHF 1'041 million in 2019 (2018: CHF 882 million), an increase of 18%. EBIT has therefore replaced EBITDA as the firm's key operating performance indicator as it will be a more suitable (and conservative) measure of operating performance going forward.

In 2019, EBIT increased by 17%, amounting to CHF 1'008 million (2018: CHF 865 million) and the EBIT margin decreased to 63% (2018: 65%). We steer the operating margin towards a target EBIT margin of ~60% for newly generated management fees (assuming stable foreign exchange rates), as well as for performance fees on existing and new AuM.

EBIT margin development

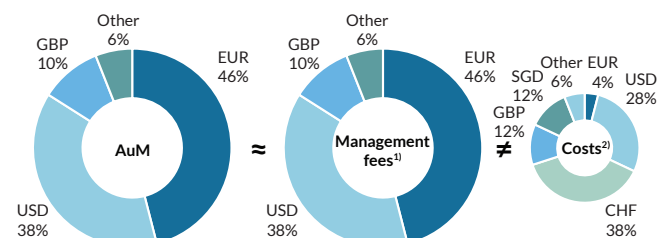


Note: for the years 2011 – 2014, non-cash items related to the capital-protected product Pearl Holding Limited were excluded from depreciation & amortization; foreign exchange rates in daily averages in respective years/periods.

Continued diversification of AuM, revenues and cost base

Some 84% of our revenues derive from EUR- and USD-denominated investment programs and mandates, reflecting our international clientele. However, 38% of our cost base is still CHF-denominated. In recent years, though, our teams have grown at a higher rate outside Switzerland as we have built out our investment presence around the world, in particular with strategic initiatives such as the establishment of Denver as our Americas hub. This international expansion continues to diversify our cost base further and will reduce our CHF-denominated cost base in relative terms over time.

Currency exposure in 2019



1) Based on estimates and the currency denomination of underlying programs.
2) Includes regular personnel expenses (excluding performance fee-related expenses) and other operating expenses.

FX fluctuations negatively impacted EBIT margin by approximately 1.0 percentage point

Fluctuations in the EUR or USD against the CHF can affect the absolute amount of revenues and costs, causing our total EBIT margin to deviate from its target on incremental revenues. In particular, the currency composition of our management fees (typically representing 70-80% of our total revenues) differs from the currency composition of our recurring cost.

During the period, the EUR depreciated by 4% against the CHF and therefore negatively affected management fees in CHF (46% of AuM are EUR-denominated vs. 4% of cost), partially offset by a weakening of the average GBP-rate against the CHF. Overall, currency movements throughout 2019 negatively impacted the EBIT margin by approximately 1.0 percentage point.

Given that performance fee revenues and performance fee-related costs are similarly affected by currency movements, they are largely EBIT margin-neutral.

2019 at a glance – Financials

Financial result driven by value creation in client portfolios; negative foreign exchange result; taxes in line with growth

The financial result amounted to CHF 30 million (2018: CHF 23 million), of which the main contributors are mentioned below:

- CHF +61 million (2018: CHF 35 million): we invest into our own investment programs alongside our clients (see detailed description of balance sheet investments further below). Another period of solid performance for these investments was the main contributor to the financial result. Overall, the average return across all stages and asset classes of our portfolio was 10% in 2019 (2018: 7%). For further information see note 5.3.2. of the notes to the consolidated financial statements.
- CHF -31 million (2018: CHF -12 million): the negative contribution stemmed from foreign exchange, hedging and other costs. For our short-term loans outstanding (treasury management and short-term financing services) we hedged our exposure in currencies other than CHF. In particular, the interest differential between the USD and the CHF drove our hedging cost

Corporate taxes increased to CHF -137 million (2018: CHF -118 million), broadly in line with our growing profitability. In summary, the firm's profit increased by 17% year-on-year to CHF 900 million (2018: CHF 769 million), in line with EBIT growth.

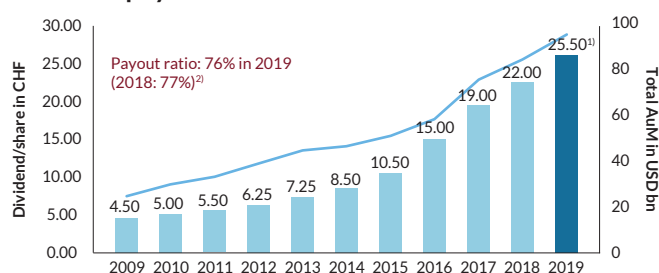
Profit development (in CHF m)

	2018		2019
EBIT	865	+17%	1'008
Total financial result, of which	23	+30%	30
<i>Portfolio performance</i>	35	+76%	61
<i>Foreign exchange, hedging & others</i>	-12	+163%	-31
Taxes	-118	+16%	-137
Profit	769	+17%	900

Proposed dividend of CHF 25.50 per share (+16%)

Based on the strong development of the business in all asset classes and regions, the operating result and their confidence in the sustainability of the firm's growth, Partners Group's Board of Directors will propose a dividend of CHF 25.50 per share (2018: CHF 22.00 per share) to its shareholders at the Annual General Meeting on 13 May 2020. This represents a dividend increase of 16% and a payout ratio of 76% (2018: 77%).

Dividend payments



1) The Board of Directors proposes that a dividend of CHF 25.50 per share be paid for the financial year 2019 at the Annual General Meeting of shareholders to be held on 13 May 2020.
2) The dividend payout ratio is defined as the (proposed) dividend per share divided by diluted earnings per share.
Note: assets under management exclude discontinued public alternative investment activities and divested affiliated companies.

2019 at a glance – Financials

Balance sheet

As of 31 December 2019, our balance sheet remains strong with total assets amounting to CHF 3.9 billion (31 December 2018: CHF 2.9 billion). We have net liquidity of CHF 1.0 billion (31 December 2018 : CHF 1.2 billion) and hold our own investments amounting to a total of CHF 0.7 billion (31 December 2018: CHF 0.6 billion).

The firm's balance sheet investments consist of its financial investments/GP commitments, seed investments and investments in associates. Financial investments/GP commitments (i.e. our obligation to fund investments alongside clients) typically represent about 1% of assets invested in a closed-ended limited partnership structure and have an aggregated net asset value of CHF 605 million (31 December 2018: CHF 554 million) as of 31 December 2019.

Investments in associates amounted to CHF 42 million (31 December 2018: CHF 55 million), which mainly represent a stake in Pearl Holding Limited, a mature investment program managed by the firm.

Partners Group also provides seed financing to certain early stage investment programs managed by the firm based on its risk framework. The underlying assets of these investment programs are typically financial assets valued at the (cash-flow-adjusted) net asset value and amount to (net) CHF 61 million (31 December 2018: CHF 37 million).

Investments alongside clients (in CHF m)

Financial investments / GP commitment ¹⁾	605
Investments in associates ²⁾	42
Seed investments ³⁾	61
Total investments alongside clients from balance sheet	708

1) NAV excluding CHF 250 million of commitments that were not yet called but may be called over time, typically between one to five years following the subscription of the commitment.

2) Investments in associates described in detail in note 6 of 2019 Annual Report.

3) Seed investments presented in the annual report as assets and liabilities held for sale.

Note: as of 31 December 2019.

Next to investing into investment programs alongside clients from our balance sheet, we further align the interests of clients with those of the firm's employees by offering all employees preferential terms to invest alongside our private markets programs via a global employee commitment plan. In line with standard industry practice, such investments charge no management fees and no performance fees.

In total, commitments by the firm's Board of Directors and employees amounted to approximately USD 1.2 billion, as of 31 December 2019.

Net liquidity

We ensure that we always have sufficient cash available to meet expected operational expenses, as well as to service short-term financial obligations. We furthermore target an available liquidity level that would enable us to sustain the firm's operations with minimal disruption in a financial crisis scenario and/or a depressed economic environment.

Net liquidity of CHF 1.0 billion on balance sheet (in CHF m)

	Assets	Liabilities
Cash & cash equivalents	933	
Short-term loans	900	
Long-term debt		799
Total net liquidity		1'035

Note: as of 31 December 2019.

The firm maintains a diverse range of unsecured credit facilities with Swiss and international banks amounting to a total of CHF 865 million (31 December 2018: CHF 430 million). These credit facilities can be used for general corporate purposes and/or to provide fixed advances, with a primary focus on working capital financing. The facilities are subject to maximum debt covenants which were met throughout the current and prior year. As of 31 December 2019, no credit facility was drawn (31 December 2018: no credit facility drawn).

In June 2019, we successfully issued Partners Group's second corporate bond, raising CHF 500 million through a fixed-rate senior unsecured CHF-denominated issue. The bond was issued with an eight-year term and a coupon of 0.40% and matures on 21 June 2027 (ISIN CH0419041287). It followed a fixed-rate senior unsecured issuance of CHF 300 million in June 2017 (ISIN CH0361532895), which was offered with a seven-year term and a coupon of 0.15% and which matures on 7 June 2024.

As of 31 December 2019, our long-term debt outstanding amounted to CHF 799 million (31 December 2018: CHF 299 million).

2019 at a glance – Financials

The proceeds of the bonds further strengthen the sustainability of our operations in a financial crisis scenarios and enable us to optimize the management of our liquidity, in particular, for short-term financing needs arising from our treasury management services to our clients. These services allow for efficient use of capital within our investment programs by bridging capital drawdowns and distributions where beneficial for clients (e.g. netting cash-flows to reduce the number of drawdowns and distributions).

As of 31 December 2019, 278 short-term loans (31 December 2018: 267) were outstanding, amounting to a total of 900 million (31 December 2018: CHF 1'113 million) with an average outstanding loan amount of CHF 3.2 million (31 December 2018: CHF 4.2 million). The duration of these loans amounted to 1-3 months. These loans are secured against unfunded commitments and are, in addition, subject to strict loan-to-value (LTV) rules.

Financial outlook

- **Management fees:** we are moving confidently into 2020 and see solid demand for our traditional and tailored private market programs, as well as for our evergreen programs, from clients across the globe. We expect this demand to translate into additional management fees and therefore guide towards an increase of management fees alongside an increase of AuM.
- **Performance fees:** we continue to expect full-year performance fees to remain within our guidance of around 20-30% as a proportion of total revenues, assuming the market remains favorable to exits. However, due to the market circumstances and visibility we have on our exit pipeline in 2020, we estimate that performance fees will be significantly skewed to the second half of 2020.
- **Target EBIT margin:** we continue to steer the operating margin towards our target EBIT margin of ~60% for newly generated management fees (assuming stable foreign exchange rates), as well as for performance fees. This means that we anticipate the number of professionals and personnel expenses to return to growing more in line with AuM in 2020 and beyond, after 2019's outsized hiring year.
- **Balance sheet:** our balance sheet remains strong. With CHF 2.3 billion in shareholder equity and CHF 1.0 billion net liquidity, we feel well-equipped to realize the potential of private markets in different economic environments.

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) fee-paying 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 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 income taxes. 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). EBIT is considered as a useful unit of measurement for evaluating the operating performance of the group.

EBIT margin is calculated as earnings before interest and tax (EBIT) 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	2019	2018
EBIT	1'008	865
Revenues from management services, net, including other operating income	1'610	1'326
EBIT margin	63%	65%

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 income taxes and before depreciation and amortization.

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 credit facilities drawn and long-term debt.

In millions of Swiss francs	2019	2018
Cash and cash equivalents	933	412
Short-term loans	900	1'113
Long-term debt	(799)	(299)
Net liquidity position	1'035	1'226

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	2019	2018
Revenues from management services, net, including other operating income	1'610	1'326
Average assets under management (in CHF) calculated on a daily basis.	88'440	77'615
Revenue margin	1.82%	1.71%

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	2019	2018
Profit for the period	900	769
Average equity attributable to owners of the Company	2'128	1'962
Return on equity	42%	39%

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2. Consolidated financial statements:

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- Consolidated statement of comprehensive income for the years ended 31 December 2019 and 2018	41
- Consolidated balance sheet as of 31 December 2019 and 2018	42
- Consolidated statement of changes in equity for the years ended 31 December 2019 and 2018	44
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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 2019 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 40 to 106) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, 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 2019 financial year.

For further information on the recognition of revenues from management services (net) refer to notes 2, 3 and 19.7 to the consolidated financial statements on pages 48 to 53 and 99 to 100.

Report of the auditors on the consolidated financial statements



Valuation of financial investments

Key Audit Matter

As at 31 December 2019, financial investments on the Group's balance sheet amounted to CHF 605.3 million (2018: CHF 554.0 million). In addition, financial investments presented as assets held for sale amounted to CHF 175.4 million (2018: CHF 91.0 million).

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 48 and 62 to 75.

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.

Report of the auditors on the consolidated financial statements



- 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. 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

Christoph Hochuli
Licensed Audit Expert

Zurich, 4 March 2020

KPMG AG, Rffelstrasse 28, PO Box, CH-8045 Zurich

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Consolidated income statement for the years ended 31 December 2019 and 2018

In millions of Swiss francs	Note	2019	2018
Management fees and other revenues, net		1'074.4	956.5
Performance fees, net		472.5	323.7
Revenues from management services, net	3.	1'546.9	1'280.2
Other operating income	5.2.	63.4	45.7
Personnel expenses	4.1.	(490.4)	(376.5)
Other operating expenses	10.	(78.5)	(67.8)
EBITDA ¹⁾		1'041.4	881.6
Depreciation and amortization	11.&12.	(33.8)	(16.8)
EBIT ¹⁾		1'007.6	864.8
Finance income	5.1.	64.6	40.1
Finance expense	5.1.	(35.0)	(17.4)
Profit before tax		1'037.2	887.5
Income tax expense	9.1.	(137.3)	(118.2)
Profit for the period		899.9	769.3
Profit for the period attributable to owners of the Company		899.9	769.3
Basic earnings per share (in Swiss francs)	15.	33.93	28.91
Diluted earnings per share (in Swiss francs)	15.	33.66	28.65

¹⁾ For definitions please refer to p. 32.

Consolidated statement of comprehensive income for the years ended 31 December 2019 and 2018

In millions of Swiss francs	Note	2019	2018
Profit for the period		899.9	769.3
Other comprehensive income:			
Exchange differences on translating foreign operations		(36.1)	(39.5)
Total other comprehensive income that may be reclassified to the income statement in subsequent periods		(36.1)	(39.5)
Net actuarial gains/(losses) from defined benefit plans	4.5.2.	(1.3)	(1.3)
Tax impact on net actuarial gains/losses from defined benefit plans	9.2.	0.3	0.2
Actuarial gains/(losses) from defined benefit plans, net of tax		(1.0)	(1.1)
Total other comprehensive income not being reclassified to the income statement in subsequent periods, net of tax		(1.0)	(1.1)
Total other comprehensive income for the period, net of tax		(37.1)	(40.6)
Total comprehensive income for the period, net of tax		862.8	728.7
Total comprehensive income attributable to owners of the Company		862.8	728.7

Consolidated balance sheet

as of 31 December 2019 and 2018

In millions of Swiss francs	Note	31 December 2019	31 December 2018
Assets			
Cash and cash equivalents		933.0	412.2
Trade and other receivables	5.4.1.	651.9	403.8
Short-term loans	5.3.4.	900.2	1'113.4
Assets held for sale	5.3.3.	175.4	91.0
Total current assets		2'660.5	2'020.4
Property, equipment and right-of-use assets ¹⁾	11.	237.2	67.6
Intangible assets	12.	68.8	61.8
Investments in associates	6.	42.1	55.0
Financial investments	5.3.2.	605.3	554.0
Other financial assets	5.3.5.	292.0	166.7
Deferred tax assets	9.2.	43.8	23.6
Total non-current assets		1'289.2	928.7
Total assets		3'949.7	2'949.1

¹⁾ As of 1 January 2019, the Group initially applied IFRS 16 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 19.2.

Consolidated balance sheet as of 31 December 2019 and 2018

In millions of Swiss francs	Note	31 December 2019	31 December 2018
Liabilities and equity			
Liabilities			
Trade and other payables	7.	179.2	234.5
Income tax liabilities		83.4	81.7
Provisions		3.4	-
Employee benefit liabilities	4.5.	161.7	121.9
Liabilities held for sale	5.3.3.	114.3	54.1
Total current liabilities		542.0	492.2
Employee benefit liabilities	4.5.	208.6	158.2
Provisions		6.7	0.3
Deferred tax liabilities	9.2.	4.0	2.5
Long-term debt	13.	798.6	299.4
Lease liabilities ¹⁾	8.	55.2	-
Other long-term liabilities	5.4.3	46.5	28.6
Total non-current liabilities		1'119.6	489.0
Total liabilities		1'661.6	981.2
Equity			
Share capital	14.	0.3	0.3
Treasury shares		(212.9)	(143.6)
Legal reserves		0.2	0.2
Other components of equity		2'500.5	2'111.0
Equity attributable to owners of the Company		2'288.1	1'967.9
Total liabilities and equity		3'949.7	2'949.1

¹⁾ As of 1 January 2019, the Group initially applied IFRS 16 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 19.2.

Consolidated statement of changes in equity

for the years ended 31 December 2019 and 2018

In millions of Swiss francs	Equity attributable to owners of the Company						2019
	Share capital	Treasury shares	Legal reserves	Other components of equity			
Translation reserves				Retained earnings	Total other components of equity		
Balance as of 1 January	0.3	(143.6)	0.2	(93.3)	2'204.3	2'111.0	1'967.9
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		(457.4)					(457.4)
Disposal of treasury shares		388.1			(88.5)	(88.5)	299.6
Reversal of contractual obligation to purchase treasury shares					110.0	110.0	110.0
Share-based payment expenses					54.5	54.5	54.5
Tax effect on share-based payment and treasury share transactions					36.1	36.1	36.1
Dividends paid to owners of the Company					(585.4)	(585.4)	(585.4)
Total contributions by and (distributions to) owners of the Company	-	(69.3)	-	-	(473.3)	(473.3)	(542.6)
Profit for the period					899.9	899.9	899.9
Total other comprehensive income for the period, net of tax	-	-	-	(36.1)	(1.0)	(37.1)	(37.1)
Total comprehensive income for the period, net of tax	-	-	-	(36.1)	898.9	862.8	862.8
Balance as of 31 December	0.3	(212.9)	0.2	(129.4)	2'629.9	2'500.5	2'288.1

Consolidated statement of changes in equity

for the years ended 31 December 2019 and 2018

In millions of Swiss francs	Equity attributable to owners of the Company						2018
	Share capital	Treasury shares	Legal reserves	Other components of equity			
Translation reserves				Retained earnings	Total other components of equity		
Balance as of 1 January	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	0.3	(143.6)	0.2	(93.3)	2'204.3	2'111.0	1'967.9

Consolidated statement of cash flows

for the years ended 31 December 2019 and 2018

In millions of Swiss francs	Note	2019	2018
Operating activities			
Profit for the period		899.9	769.3
<i>Adjustments:</i>			
Net finance (income) and expense	5.1.	(29.6)	(22.7)
Income tax expense	9.1.	137.3	118.2
Depreciation and amortization	11.&12.	33.8	16.8
Share-based payment expenses	4.2.	54.5	47.2
Change in provisions		6.9	0.1
Change in employee benefit assets/liabilities		89.4	36.2
Non-cash change in other financial assets		(100.4)	(79.2)
Non-cash change in other long-term liabilities		18.5	26.9
Operating cash flow before changes in working capital		1'110.3	912.8
(Increase)/decrease in trade and other receivables and short-term loans		(87.3)	(440.0)
Increase/(decrease) in trade and other payables		48.4	(89.5)
Finance expenses (other than interest) paid		(3.3)	(2.8)
Cash generated from/(used in) operating activities		1'068.1	380.5
Income tax paid		(107.3)	(96.8)
Net cash from/(used in) operating activities		960.8	283.7
Investing activities			
Purchase of property and equipment	11.	(113.7)	(43.9)
Purchase of intangible assets	12.	(21.9)	(13.2)
Purchase of financial investments & assets and liabilities held for sale		(135.1)	(115.6)
Proceeds on disposal of financial investments & assets and liabilities held for sale		104.2	104.7
Proceeds on disposal of investments in associates	6.	13.7	28.0
Purchase of other financial assets		(28.4)	(26.4)
Proceeds on disposal of other financial assets		0.2	0.4
Interest received	5.1.	3.5	1.6
Net cash from/(used in) investing activities		(177.5)	(64.4)

Total interest received amounts to CHF 63.9 million (2018: CHF 43.5 million).

Consolidated statement of cash flows

for the years ended 31 December 2019 and 2018

In millions of Swiss francs	Note	2019	2018
Financing activities			
Repayments of credit facilities		(1'015.0)	(175.0)
Drawdowns from credit facilities		1'015.0	175.0
Issuance of long-term debts	13.	499.1	-
Payment of principal portion of lease liabilities ¹⁾	8.	(12.1)	-
Interest paid		(3.6)	(4.1)
Dividends paid to shareholders of the Company	14.	(585.4)	(506.3)
Purchase of treasury shares		(457.4)	(573.6)
Disposal of treasury shares		299.6	425.8
Option premium received		-	1.3
Net cash from/(used in) financing activities		(259.8)	(656.9)
Net increase/(decrease) in cash and cash equivalents		523.5	(437.6)
Cash and cash equivalents as of 1 January		412.2	852.3
Exchange differences on cash and cash equivalents		(2.7)	(2.5)
Cash and cash equivalents as of 31 December		933.0	412.2

¹⁾ As of 1 January 2019, the Group initially applied IFRS 16 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 19.2.

In millions of Swiss francs	31 December 2019	31 December 2018
Bank balances	933.0	412.2
Petty cash	0.0	0.0
Total cash and cash equivalents	933.0	412.2

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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 2019 and 2018 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 4 March 2020 and are subject to approval at the Annual General Meeting of shareholders on 13 May 2020.

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. This exposure consists of 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 available facts and circumstances into consideration and concluded that it acts as an agent for all investment programs that it manages, except for investment programs financed with seed capital (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 which consider the liquidity, concentration, pricing assumptions, 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 2019 and 2018

(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 (see note 19.7.).

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 provides its clientele with investment management services in the private markets spectrum. These services comprise structuring and investment advisory in relation to direct investments in operating companies or assets and investments in third party managed investment programs. As part of its management services, the Group offers diversified as well as more focused investment programs in relation to investment styles, industry and geography of the investments in private markets.

Private equity

Private equity refers to investments made in private – i.e. non-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 in 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. non-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 subordinated 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. non-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. non-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 2019 and 2018

The activities in all operating segments consist of:

- Strategic asset allocation and portfolio management
- Investment management, value creation 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. 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 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 also not been allocated to the operating segments. All non-directly attributable elements of profit or loss are summarized in the column labelled 'Unallocated'.

Management believes that this is the most relevant way to report the results of its operating segments.

There were no intersegment transactions and, as such, no eliminations are necessary.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

In millions of Swiss francs							2019
	Operating segments						
	Private equity	Private debt	Private real estate	Private infrastructure	Total reportable segments	Unallocated	Total
Management fees and other revenues	718.5	166.4	186.3	159.3	1'230.5	2.5	1'233.0
Revenue deductions related to management fees and other revenues	(90.8)	(15.5)	(33.3)	(19.0)	(158.6)	-	(158.6)
Performance fees	408.1	23.1	20.3	51.5	503.0	-	503.0
Revenue deductions related to performance fees	(29.1)	(0.1)	(1.2)	(0.1)	(30.5)	-	(30.5)
Revenues from management services, net	1'006.7	173.9	172.1	191.7	1'544.4	2.5	1'546.9
Other operating income	17.3	9.1	17.3	15.9	59.6	3.8	63.4
Revenues and other operating income	1'024.0	183.0	189.4	207.6	1'604.0	6.3	1'610.3
Personnel expenses	(99.1)	(35.6)	(29.4)	(34.2)	(198.3)	(292.1)	(490.4)
Other operating expenses	(3.8)	(3.4)	(1.5)	(1.9)	(10.6)	(67.9)	(78.5)
Gross segment result before depreciation and amortization	921.1	144.0	158.5	171.5	1'395.1	(353.7)	1'041.4
Depreciation and amortization	-	-	-	-	-	(33.8)	(33.8)
Gross segment result	921.1	144.0	158.5	171.5	1'395.1	(387.5)	1'007.6
<i>Reconciliation to profit for the period:</i>							
Net finance income and expense							29.6
Income tax expense							(137.3)
Profit for the period							899.9

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

In millions of Swiss francs							2018
	Operating segments						
	Private equity	Private debt	Private real estate	Private infrastructure	Total reportable segments	Unallocated	Total
Management fees and other revenues	627.1	141.9	179.4	137.7	1'086.1	7.0	1'093.1
Revenue deductions related to management fees and other revenues	(69.4)	(22.2)	(30.3)	(14.7)	(136.6)	-	(136.6)
Performance fees	314.6	16.9	13.7	13.0	358.2	-	358.2
Revenue deductions related to performance fees	(33.3)	(0.0)	(1.0)	(0.2)	(34.5)	-	(34.5)
Revenues from management services, net	839.0	136.6	161.8	135.8	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	855.2	141.6	177.2	142.8	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	770.4	113.5	149.3	112.4	1'145.6	(264.0)	881.6
Depreciation and amortization	-	-	-	-	-	(16.8)	(16.8)
Gross segment result	770.4	113.5	149.3	112.4	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

The Group refined the segment allocation of revenues related to its multisegment investment programs. Comparative amounts have been re-presented.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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	
	2019	2018
Switzerland	494.6	408.2
Guernsey	436.4	394.9
North America	356.8	222.8
Other European countries	122.4	120.3
Rest of world	136.7	134.0
Total revenues from management services, net	1'546.9	1'280.2

In 2019 and 2018, 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	2019	2018
Salaries and cash bonus		(251.6)	(197.9)
Share-based payment expenses	4.2.	(53.7)	(46.6)
Other long-term benefits (management carry program)		(117.4)	(87.5)
Retirement schemes - defined contribution plans		(13.9)	(12.4)
Retirement schemes - defined benefit plans	4.5.2.	(3.4)	(2.9)
Other social security expenses		(28.3)	(14.3)
Other personnel expenses		(22.1)	(14.9)
Total personnel expenses		(490.4)	(376.5)

The average number of employees in 2019 was 1'349 (2018: 1'120), which is equivalent to an average of 1'337 full-time employees (2018: 1'110).

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

4.2. Share-based payment expenses

The Group recognized the following expenses for grants in 2019, as well as in previous periods:

In millions of Swiss francs	Note	2019	2018
Grants 2013 (options and non-vested shares)		-	(0.2)
Grants 2014 (options and non-vested shares)		(0.2)	(0.8)
Grants 2015 (options and non-vested shares)		(1.2)	(2.1)
Grants 2016 (options and non-vested shares)		(2.4)	(4.6)
Grants 2017 (options and non-vested shares)		(5.5)	(10.2)
Grants 2018 (options and non-vested shares)		(11.1)	(14.8)
Grants 2019 (options and non-vested shares)	4.3.1.	(17.5)	-
Share grants at start of employment	4.4.	(2.7)	(2.0)
Total options and non-vested shares		(40.6)	(34.7)
Grants 2017 (MPP)		(3.0)	(4.8)
Grants 2018 (MPP)		(7.1)	(7.1)
Grants 2019 (MPP)	4.3.2.	(3.0)	-
Total share-based payment expenses¹⁾		(53.7)	(46.6)

¹⁾ Share-based payment expenses for non-executive members of the BoD of CHF 0.8 million (2018: 0.6 million) are disclosed as a part of third-party services (see note 10.).

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. As in previous years, the 2019 plan was a shares-only plan for the Group's employees and its allocation to departments, teams and individuals dependent on their performance and contribution to the overall achievement of the firm's goals during the period.

EPPs follow 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.

Since 2015, the Group awards a management incentive plan ("MIP") to select individuals in the senior management team who have significantly contributed to the firm's success in the past and who have the potential to do so in the future. 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 2019 and 2018

Number and weighted average exercise price

The number and weighted average exercise price of 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
	2019	2019	2018	2018
Outstanding as of 1 January	597.86	1'484'142	512.45	1'360'808
Forfeited during the period	615.66	(74'998)	27.73	(10'671)
Exercised during the period	145.42	(139'590)	126.83	(142'488)
Granted during the period - options	950.33	224'140	960.09	216'989
Granted during the period - shares	-	66'800	-	59'504
Outstanding as of 31 December	662.51	1'560'494	597.86	1'484'142
Exercisable as of 31 December		123'769		202'067

Of the outstanding 1'560'494 options and non-vested shares (31 December 2018: 1'484'142), 123'769 options are exercisable immediately (31 December 2018: 202'067). All other options and non-vested shares are restricted until at least 23 September 2020.

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 2019	31 December 2018	
Options granted in 2009	150.00	-	13'105	
Options granted in 2010 and 1.1.2011	209.00	14'813	24'358	
Options granted in 2011	195.00	11'918	19'813	
Options granted in 2012	236.00	33'947	55'411	
Options granted in 2013 and 8.1.2014	270.00	53'329	89'380	
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	165'000	174'000	
Options granted in 2015	446.00	6'127	6'127	
Options granted in 2016	682.00	345'000	375'000	
Options granted in 2016	593.00	10'110	10'110	
Options granted in 2017	805.00	300'200	318'600	
Options granted in 2017	810.00	35'078	35'078	
Options granted in 2018	975.00	198'500	198'500	
Options granted in 2018	800.00	18'489	18'489	
Options granted in 2019	965.00	196'150	-	
Options granted in 2019	807.60	20'890	-	
Non-vested shares granted from 2014 to 2019	-	141'181	136'409	
Total instruments outstanding		1'560'494	1'484'142	

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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 options and shares granted in 2019, 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	15.5.19	23.9.19	23.9.19	23.9.19	21.11.19	21.11.19	21.11.19
Fair value per option/non-vested share at measurement date (in CHF)	732.00	22.21	22.21		38.30	807.60	807.60
Share price (in CHF)	732.00	773.80	773.80		807.60	807.60	807.60
Exercise price (in CHF)		965.00	965.00		807.60		
Vesting conditions		5 years	5 years	6 years	5 years	3 years ³⁾	5 years ³⁾
Expected volatility		18.96%	18.96%		15.76%		
Expected term of execution		5 years	5 years	6 years	5 years		
Expected dividend ratio ⁴⁾		4.13%	4.13%		4.11%		
Risk-free interest rate (based on Swap rates)		(0.91%)	(0.91%)		(0.68%)		
Total options/shares granted	115	70'250	133'000		20'890	19'806	46'879
Total value granted in 2019 (in millions of CHF)	0.1	1.6	3.0	2.9	0.8	16.0	37.9
Gross amount recognized in profit or loss (in millions of CHF)	0.1	0.2	0.5	0.4	0.8	5.7	10.8
Forfeitures during 2019 (in millions of CHF)		(0.0)				(0.0)	(0.0)
Net amount recognized in profit or loss (in millions of CHF)	0.1	0.2	0.5	0.4	0.8	5.7	10.8
Total amount recognized in profit or loss (in millions of CHF)							18.5
- recognized in personnel expenses related to the grant 2019 (in millions of CHF)							17.5
- recognized in third-party services related to the grant 2019							0.8
- recognized in personnel expenses related to the grant 2018 ¹⁾ (in millions of CHF)							0.2

¹⁾ Under the 26 September 2018 MIP, the Group granted equity incentives equaling the 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.

²⁾ Under the 23 September 2019 MIP, the Group granted equity incentives equaling the fair value of CHF 5.9 million. The amount is allocated to the participants in two tranches, the first half in September 2019 and the second half in September 2020. 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 2019.

³⁾ Linear vesting model, with proportionate annual vesting.

⁴⁾ Based on historical data.

The applied expected volatility is 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 2019 and 2018

4.3.2. Management Performance Plan

In 2017, the Group revised its dedicated performance fee-related compensation program and introduced the MPP for Executive Committee members and non-independent Board members. Over the first five-year period of the plan, the 2019 MPP reinforces an alignment of interests with shareholders as it is dependent on the share price development. The 2019 MPP restricts payouts to a positive share price development relative to the share price at grant. Five years after the grant, the intrinsic value of the MPP will be measured as an intermediate step. Thereby, the intrinsic value of the 2019 MPP cannot exceed 10x the grant fair value. Over the period following the fifth year (typically year 5 to 14), the MPP payout commences. It can deviate from the intermediate intrinsic value calculated in year five 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. Any payout will be in number of restricted shares, which have a two-year selling restriction, equal to the value of the respective payout (the share price at the time of payout is the reference). In 2019, the MPP consumed CHF 4.5 million of performance fee related compensation. For further details regarding the MPP, please refer to the Compensation Report (p. 131).

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 similarly to the valuation of a combination of call options and put options (based on the Black-Scholes model).

Fair value of MPP granted in 2019, and related assumptions:

	Short-call options	Long-put options
Date of grant	21.11.19	21.11.19
Share price (in CHF)	807.60	807.60
Exercise price/normalized index price (in CHF)	807.60	1'121.87
Vesting conditions	5 years	5 years
Expected volatility	15.76%	15.76%
Expected term of execution	5 years	5 years
Expected dividend ratio	4.11%	4.11%
Risk-free interest rate (based on Swap rates)	(0.68%)	(0.68%)
Total fair value granted in 2019 (in millions of CHF)		10.2
Total amount recognized in profit or loss (in millions of CHF)		3.0

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

4.4. Entry shares

In 2019, the Group further granted 3'943 (2018: 3'016) shares in the amount of CHF 2.7 million (2018: CHF 2.0 million) 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 terminated 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 2019	31 December 2018
Defined benefit plan	(2.4)	(0.4)
Accrued variable compensation (cash bonus)	(157.5)	(145.2)
Management Carry Plan	(196.0)	(125.2)
Other employee benefit liabilities	(14.4)	(9.3)
Total net employee benefit liabilities	(370.3)	(280.1)
Current liabilities	(161.7)	(121.9)
Non-current liabilities	(208.6)	(158.2)
Balance as of 31 December	(370.3)	(280.1)

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 (see (a) below) and the MPP (see note 4.3.2.) with the remainder, i.e. the difference between the Performance Fee Compensation Pool and the MCP/MPP allocations, being allocated via the Performance Fee Bonus Pool (see (b) below).

In 2019, performance fees recognized in the consolidated income statement amounted to CHF 472.5 million (2018: CHF 323.7 million), of which CHF 124.9 million (2018: CHF 93.0 million) were allocated via the MCP allocation (including social securities) and CHF 59.6 million (2018: CHF 36.5 million) via the Performance Fee Bonus Pool allocation. The Group expects for 2020 a total cash payout of CHF 127.9 million (2018: CHF 82.1 million) for all schemes.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

(a) Management Carry Plan allocation

A portion of the performance fees recognized from investments made during a relevant investment period is allocated to the broader management teams. The allocation is based on the MCP that was introduced in 2012 and is discretionarily granted to employees on an annual basis. The grants are only paid out to the eligible employees once the performance fees are collected by the Group.

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/MPP 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 liabilities.

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 the employer and the employees. Contributions, which vary by the age of the employees, range from 6-13% of the covered salary and 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 arises in accordance with the BVG. In addition to investment risk, the Pension Fund is exposed to actuarial risk, 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 2019 and 2018

Development of defined benefit asset/(obligation)

In millions of Swiss francs	2019	2018
Present value of benefit obligation as of 1 January	(68.8)	(61.6)
<i>Included in profit or loss:</i>		
Current service cost (employer)	(3.4)	(2.9)
Interest expense on benefit obligation	(0.5)	(0.4)
<i>Included in other comprehensive income:</i>		
Actuarial gains/(losses) on benefit obligation arising from:		
- change in financial assumptions	(5.8)	-
- experience gains/(losses)	(2.9)	(0.7)
<i>Other:</i>		
Employee contributions	(2.8)	(2.6)
Benefit payments	5.0	(0.6)
Present value of benefit obligation as of 31 December	(79.2)	(68.8)
Fair value of plan assets as of 1 January	68.4	62.8
<i>Included in profit or loss:</i>		
Interest income on plan assets	0.5	0.5
Administration cost	(0.1)	(0.1)
<i>Included in other comprehensive income:</i>		
Actuarial gain/(loss) on plan assets	7.4	(0.6)
<i>Other:</i>		
Employer contributions	2.8	2.6
Employee contributions	2.8	2.6
Benefit payments	(5.0)	0.6
Fair value of plan assets as of 31 December	76.8	68.4
Net defined benefit asset/(obligation) as of 31 December	(2.4)	(0.4)

The weighted average duration of the net defined benefit obligation is 16.9 years as of 31 December 2019 (2018: 15.6 years).

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

Asset allocation as of 31 December

	2019	2018
Cash	13.2%	9.2%
Public debt	6.2%	10.6%
Public equity	25.4%	27.6%
Private markets	52.9%	37.7%
Alternatives/other	2.3%	14.9%
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	2019	2018
Discount rate	0.25%	0.70%
Expected net return on plan assets	0.25%	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%)	(7.5)	(0.7)
Increase of discount rate (+0.5%)	6.4	0.6
Decrease of salary increase (-0.5%)	1.1	0.1
Increase of salary increase (+0.5%)	(1.2)	(0.1)
Shorter life expectancy (-1 year)	(0.2)	(0.0)
Longer life expectancy (+1 year)	0.2	0.0

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 2020 are estimated to be CHF 2.8 million.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

5. Financial instruments including related income and expense, risks and measurement

5.1. Finance income and expense

In millions of Swiss francs	Note	2019	2018
Interest income calculated using the effective interest rate method		3.5	1.6
Net gains on fair value through profit or loss instruments	5.5.	58.2	38.5
Share of results of associates (Pearl)	6.	2.8	-
Other finance income		0.1	-
Total finance income		64.6	40.1
Interest expense calculated using the effective interest rate method		(4.9)	(4.3)
Share of results of associates (Pearl)	6.	-	(3.8)
Other finance expense		(3.6)	(2.8)
Net exchange differences		(26.5)	(6.5)
Total finance expense		(35.0)	(17.4)
Total net finance income and (expense)		29.6	22.7

5.2. Other operating income

In millions of Swiss francs	Note	2019	2018
Compensation from short-term loans	5.3.4.	60.4	41.9
Share of results of associates (LGT)	6.	0.0	0.0
Other income		3.0	3.8
Total other operating income		63.4	45.7

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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 2019	31 December 2018
Financial assets			
Financial assets at amortized cost			
Cash and cash equivalents		933.0	412.2
Trade receivables ¹⁾	5.4.1.	228.5	158.8
Short-term loans	5.3.4.	900.2	1'113.4
Other receivables ¹⁾	5.4.1.	7.7	35.3
Accrued revenues ¹⁾	5.4.1.	405.3	201.5
Other financial assets	5.3.5.	292.0	166.7
		2'766.7	2'087.9
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.	605.3	554.0
Assets held for sale	5.3.3.	175.4	91.0
Derivative assets held for risk management ¹⁾	5.4.1.	10.4	8.2
		791.1	653.2
Total financial assets		3'557.8	2'741.1

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

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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

In millions of Swiss francs	Note	31 December 2019	31 December 2018
Financial liabilities			
Financial liabilities at amortized cost			
Trade payables ¹⁾	7.	55.9	71.6
Cash collateral for forward contracts ¹⁾	7.	5.2	0.3
Accrued revenue deductions	7.	63.6	32.0
Other payables	7.	28.3	126.9
Lease liabilities ²⁾	8.	67.6	-
Long-term debt	13.	798.6	299.4
Other long-term liabilities	5.4.3.	45.7	27.8
		1'064.9	558.0
Financial liabilities at fair value through profit or loss			
<i>Mandatorily measured at FVTPL</i>			
Liabilities held for sale	5.3.3.	114.3	54.1
Derivative liabilities held for risk management ¹⁾	7.	1.5	0.1
Other long-term liabilities	5.4.3.	0.8	0.8
		116.6	55.0
Total financial liabilities		1'181.5	613.0

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

²⁾ As of 1 January 2019, the Group initially applied IFRS 16 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 19.2.

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	2019	2018
Balance as of 1 January	554.0	451.8
Additions	91.8	108.9
Distributions/disposals	(86.8)	(72.9)
Transfers from assets and liabilities held for sale	-	45.1
Change in fair value of investments held at period end	58.6	35.2
Change in fair value of investments disposed/liquidated during the period	-	0.1
Exchange differences	(12.3)	(14.2)
Balance as of 31 December	605.3	554.0

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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

In millions of Swiss francs	31 December 2019	31 December 2018
Private equity	272.8	262.4
Private debt	217.6	191.5
Private real estate	59.4	52.6
Private infrastructure	55.5	47.5
Total financial investments	605.3	554.0

The Group refined the segment allocation of investments related to its multisegment investment programs. Comparative amounts have been re-presented.

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 their adjusted net asset values.

Assets and liabilities of four (2018: four) 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 2019 are comprised of private equity, private real estate and private debt related assets and liabilities:

In millions of Swiss francs	31 December 2019	31 December 2018
Assets held for sale	175.4	91.0
Liabilities held for sale	(114.3)	(54.1)
Assets and liabilities held for sale, net	61.1	36.9

5.3.4. Short-term loans

Short-term loans of CHF 900.2 million (2018: CHF 1'113.4 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. As of 31 December 2019, the number of outstanding short-term loans was 278 (31 December 2018: 267) and the average amount per outstanding loan was CHF 3.2 million (2018: CHF 4.2 million). In 2019, the Group received an at arm's length compensation of CHF 60.4 million (2018: CHF 41.9 million) for these activities.

As of 31 December 2019, no short-term loans are past due or impaired (31 December 2018: none). There have been no losses in the past and the loans are fully collateralized by the underlying investments and any unfunded capital commitments.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

5.3.5. Other financial assets

The increase in other financial assets to CHF 292.0 million (2018: CHF 166.7 million) mainly resulted from recognized performance fees which are not expected to be settled within twelve months.

In millions of Swiss francs	31 December 2019	31 December 2018
Long-term accrued revenues	230.9	134.2
Long-term loans	58.6	31.5
Other	2.5	1.0
Total other financial assets	292.0	166.7

5.3.6. Capital commitments

As of 31 December 2019, the Group had capital commitment contracts of CHF 705.8 million (2018: CHF 638.3 million), of which CHF 250.0 million (2018: CHF 212.8 million) were not yet called by the relevant investment managers. 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 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, and reports the results 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 trade and other receivables, loans, and cash and cash equivalents. The carrying amount of financial assets represents the maximum credit exposure.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

(a) Trade and other receivables

In millions of Swiss francs	31 December 2019	31 December 2018
Marketable securities	0.0	0.0
Fees receivable	228.5	158.8
Other receivables	7.7	35.3
Accrued income	405.3	201.5
Derivative assets held for risk management	10.4	8.2
Total trade and other receivables	651.9	403.8

The increase in trade and other receivables was mainly driven by recognized, but not yet invoiced, performance fees (typically in closed-ended structures). The timing of performance fee recognition in such structures depends on several factors, including the pace of deployment, performance of investments and pace of realizations (cash distributions). Performance fees are only recognized once it is highly probable that they will be realized. This typically occurs subsequent to clients receiving distributions equivalent to their initial commitment and after hurdle rates have been met. For further explanations see note 19.7.

Exposure to credit risk is primarily influenced by the characteristics of customers. The majority of the Group's customers are investment programs that are managed by the Group on behalf of its clients. Trade and other receivables with such customers are collateralized against unfunded client commitments. These commitments can be drawn upon to repay receivables and are jointly backed by high-quality clients. In addition, underlying assets in the investment programs serve as additional layer of 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 its customer exposure and concentration. As of 31 December 2019, there is no substantial concentration of credit risk (31 December 2018: none). The Group considers the probability of default to be very remote. As of the reporting date, no material receivables were overdue (31 December 2018: none). The Group reassesses the credit risk for trade and other receivables on a regular basis. Based on its assessment as of 31 December 2019, the Group has not identified any material expected credit losses (31 December 2018: none).

(b) Loans

The Group's loans are granted to various investment programs managed by the Group on behalf of its clients (see note 5.3.4.). These loans are typically short-term in nature with an expected repayment date within twelve months and are collateralized against unfunded client commitments, which can be drawn upon to repay related loans and which are jointly backed by high-quality clients. In addition, underlying assets in the investment programs serve as additional layer of security. In order to manage the default risk, the granting of loans is contingent on the adherence to certain loan-to-value ratios (maximum of 75%). The Group hereby ensures that the loan to an investment program does not exceed a certain percentage of net asset values of this investment program. In addition, the Group has established a system-based loan approval process to control the credit risk resulting from loans to investment programs. 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. Finally, the Group assesses the probability of default, the loss given default and the exposure at default. Long-term loans (see note 5.3.5.), if considered material, are individually assessed for impairment. For the years ended 31 December 2019 and 2018, no loans were past due or impaired. The Group reassesses the credit risk for loans on a regular basis. Based on its assessment as of 31 December 2019, the Group has not identified any material expected credit losses in relation to its loans (31 December 2018: none).

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

(c) Cash and cash equivalents

Cash and cash equivalents predominantly include balances with banks that are cancelable on sight. For these bank balances, typically, only independently rated parties with a minimum rating of "A-3" or equivalent are accepted (as per Standard & Poor's Short-Term Issue Credit Ratings definitions). The Group evaluates each counterparty with a proprietary risk scoring that includes 20 observable parameters such as credit risk ratings, capital ratio, stock price and return on assets and determines the expected credit loss of its bank balances. In addition, it assigns a maximum counterparty exposure which acts as a further layer of protection. The Group reassesses the credit risk for cash and cash equivalents on a regular basis. Based on its assessment as of 31 December 2019, the Group has not identified any material expected credit losses (31 December 2018: none).

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 ("ROO") as issued by the BoD.

(a) Currency risk

The Group is exposed to transactional currency risk mainly 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. 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 not currently 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	2019	2018
Variable rate instruments		
Financial assets	933.0	412.2
Financial liabilities	(5.2)	(0.3)
	927.8	411.9
Fixed rate instruments		
Financial assets	961.3	1'145.7
Financial liabilities	(866.3)	(299.4)
	95.0	846.3

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points in interest rates on the balances at the reporting date would have increased/(decreased) annual profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, particularly foreign currency rates, remain constant.

In millions of Swiss francs	Variable rate instruments	
	2019	2018
Profit or loss before tax		
50 bp increase	4.6	2.1
50 bp decrease	(4.6)	(2.1)

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) Market risk of investments in investment programs

The Group is exposed to market risks (other than interest rate and foreign currency risk) because of its investments in investment programs held by the Group and classified 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 third-party investors in the Group's investment programs invested in underlying private equity, private debt, private real estate or private infrastructure investments. These investments qualify in accordance with IAS 32 either as equity investments or debt investments. Typically, instruments qualifying as debt investments contain embedded derivatives whose fair value is derived from the adjusted net asset value of the underlying investment programs which in turn is based upon the value of the underlying assets held within each of the investment program.

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

In millions of Swiss francs	Carrying amount/volatility			
	2019	Volatility	2018	Volatility
Marketable securities (equity securities held for trading)	0.0	9%	0.0	7%
Financial investments:				
Private equity	272.8	18%	262.4	18%
Private debt	217.6	7%	191.5	5%
Private real estate	59.4	11%	52.6	8%
Private infrastructure	55.5	9%	47.5	7%
Assets and liabilities held for sale	61.1	12%	36.9	6%
Total	666.4		590.9	

The Group refined the segment allocation of investments related to its multisegment investment programs. Comparative amounts have been re-presented.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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	
	2019	2018
Marketable securities (equity securities held for trading)	0.0	0.0
Financial investments:		
Private equity	49.1	47.2
Private debt	15.2	9.6
Private real estate	6.5	4.2
Private infrastructure	5.0	3.1
Assets and liabilities held for sale	7.3	2.1
Total	83.1	66.2

The Group refined the segment allocation of investments related to its multisegment investment programs. Comparative amounts have been re-presented.

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 into 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") formally monitor the liquidity available 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 two unsecured credit facilities of CHF 460 million (31 December 2018: CHF 400 million) and CHF 375 million (new unsecured credit facility) with a syndicate of Swiss banks and a syndicate of Swiss and international banks, respectively. These credit facilities can be used for general corporate purposes with a primary focus on working capital financing. Interests are variable and determined by the relevant short-term interest rate plus a margin. The facilities are subject to maximum debt covenants which have been 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 (31 December 2018: CHF 30 million). Interest is set at a fixed interest rate. The facility is subject to a maximum debt covenant which was met throughout the current and prior year.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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

In millions of Swiss francs			31 December 2019					
	Note	Carrying amount	Total	6 months or less	6 - 12 months	13 - 24 months	25 - 60 months	More than 60 months
Trade payables ¹⁾	7.	55.9	55.9	55.9				
Derivative liabilities held for risk management ¹⁾	7.	1.5	1.5	1.5				
Accrued revenue deductions ¹⁾	7.	63.6	63.6		63.6			
Cash collateral for forward contracts ¹⁾	7.	5.2	5.2	5.2				
Other payables ¹⁾	7.	28.3	28.3	28.3				
Lease liabilities ²⁾	8.	67.6	75.8	7.0	6.7	10.1	19.8	32.2
Long-term debt	13.	798.6	818.7	2.5		2.5	307.5	506.2
Other long-term liabilities ³⁾		46.5	46.5			35.9	10.6	
Unfunded commitments		250.0	250.0	250.0				
		1'317.2	1'345.5	350.4	70.3	48.5	337.9	538.4

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

²⁾ As of 1 January 2019, the Group initially applied IFRS 16 using the modified retrospective approach. Under this approach, comparative information is not restated.

³⁾ This line item includes long-term accrued liabilities related to the investment programs and other third parties.

In millions of Swiss francs			31 December 2018					
	Note	Carrying amount	Total	6 months or less	6 - 12 months	13 - 24 months	25 - 60 months	More than 60 months
Trade payables ¹⁾	7.	71.6	71.6	71.6				
Derivative liabilities held for risk management ¹⁾	7.	0.1	0.1	0.1				
Accrued revenue deductions ¹⁾	7.	32.0	32.0		32.0			
Cash collateral for forward contracts ¹⁾	7.	0.3	0.3	0.3				
Other payables ¹⁾	7.	126.9	126.9	126.9				
Long-term debt	13.	299.4	302.9	0.5		0.5	1.4	300.5
Other long-term liabilities ²⁾		28.6	28.6			8.2	20.4	
Unfunded commitments		212.8	212.8	212.8				
		771.7	775.2	412.2	32.0	8.7	21.8	300.5

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 2019 and 2018

5.5. Fair value measurement

Overview

Fair value is the price that would be received by selling 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 2019			
	Level 1	Level 2	Level 3	Total
Marketable securities ¹⁾	0.0			0.0
Derivative assets held for risk management ¹⁾		10.4		10.4
Assets held for sale			175.4	175.4
Financial investments			605.3	605.3
Financial assets	0.0	10.4	780.7	791.1
Derivative liabilities held for risk management ²⁾		1.5		1.5
Liabilities held for sale			114.3	114.3
Other long-term liabilities			0.8	0.8
Financial liabilities	-	1.5	115.1	116.6

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 2018			
	Level 1	Level 2	Level 3	Total
Marketable securities ¹⁾	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.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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 and the remaining other long-term liabilities are expected to approximate fair values since time values do not materially differ (level 3 input).

The following tables show the reconciliation of all level 3 financial instruments in 2019 and 2018:

In millions of Swiss francs	2019	
	Financial assets	Financial liabilities
Balance as of 1 January	645.0	54.9
Purchases	200.4	65.3
Sales	(105.9)	(1.7)
Change in fair value ¹⁾	58.2	(0.0)
Exchange differences	(17.0)	(3.4)
Balance as of 31 December	780.7	115.1

In millions of Swiss francs	2018	
	Financial assets	Financial liabilities
Balance as of 1 January	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	645.0	54.9

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

There were no transfers between levels in 2019 and 2018.

Financial investments and assets and liabilities held for sale

Financial investments (see note 5.3.2.) and assets and liabilities held for sale (see note 5.3.3.), disclosed as level 3 financial instruments, consist of investments in investment programs that the Group manages. 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. Such controls include reviews of profit and loss statements 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.

Control processes also 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.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

Valuation techniques used to determine fair value of underlying investments

Financial investments held by the Group consist of underlying assets and liabilities within investment programs. In turn, these investment programs are 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 debt investments can be valued by using the instrument's expected cash flows while direct equity 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 upon 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, other market participant 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 2019 and 2018

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 Group 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.

Sensitivity of fair values

From a Group perspective, the fair value of financial investments and assets and liabilities held for sale is typically dependent on the adjusted net asset value 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 2019	31 December 2018
Adjusted net asset value (1% increase)	6.7	5.9

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 of its financial investments, assets and liabilities held for sale. 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 2019 and 2018

6. Investments in associates

The Group accounted for investments in associates as of 31 December 2019 as summarized below:

In millions of Swiss francs	Principal activity	Fair value	Carrying value	Ownership
Pearl Holding Limited, Guernsey ("Pearl")	Private equity investments	41.6	41.6	28%
LGT Private Equity Advisers, Liechtenstein ("LGT")	Asset management	0.5	0.5	40%
Total investments in associates			42.1	

In millions of Swiss francs	2019	2018
Balance as of 1 January	55.0	90.1
Redemption of shares (Pearl)	(13.7)	(28.0)
Share of results (Pearl)	2.8	(3.8)
Share of results (LGT)	0.0	0.0
Exchange differences	(2.0)	(3.3)
Balance as of 31 December	42.1	55.0

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

In millions of Swiss francs	Pearl		LGT	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Total assets	149.4	196.9	1.8	1.9
Total liabilities	1.6	3.4	0.6	0.7
Equity	147.8	193.5	1.2	1.2
Revenues	15.3	7.7	2.1	2.9
Profit/(loss) for the period	10.1	(13.4)	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 2019 and 2018

7. Trade and other payables

In millions of Swiss francs	Note	31 December 2019	31 December 2018
Trade payables		55.9	71.6
Goods and services received not yet invoiced		12.3	3.6
Derivative liabilities held for risk management		1.5	0.1
Accrued revenue deductions		63.6	32.0
Cash collateral for forward contracts		5.2	0.3
Contractual obligation to purchase treasury shares	16.	-	110.0
Lease liabilities ¹⁾	8.	12.4	-
Other payables		28.3	16.9
Total trade and other payables		179.2	234.5

¹⁾ As of 1 January 2019, the Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 19.2.

8. Lease liabilities

In millions of Swiss francs	2019	2018
Lease liabilities as of 1 January	43.8	-
Additions	36.4	-
Removals	(0.7)	-
Accreted interest	1.2	-
Lease payments	(12.1)	-
Exchange differences	(1.0)	-
Lease liabilities as of 31 December	67.6	-
Current liabilities	12.4	-
Non-current liabilities	55.2	-
Lease liabilities as of 31 December	67.6	-

As of 1 January 2019, the Group initially applied IFRS 16 using the modified retrospective method. Under this approach, comparative information is not restated. See note 19.2.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

9. Income tax

9.1. Income tax expense

9.1.1. Recognized in profit or loss

In millions of Swiss francs	Note	2019	2018
<i>Current tax expense:</i>			
Current year		144.5	122.8
Under/(over) provided in prior years		(0.9)	(0.0)
Total current tax expense		143.6	122.8
<i>Deferred tax expense/(income):</i>			
Deferred tax expense/(income), net relating to the origination and reversal of temporary differences	9.2.	(6.3)	(4.6)
Total deferred tax expense/(income)		(6.3)	(4.6)
Total income tax expense		137.3	118.2

9.1.2. Weighted average expected tax rate reconciliation

In millions of Swiss francs	2019	2018
Profit before tax	1'037.2	887.5
Weighted average expected Group tax rate ¹⁾	13.83%	13.26%
Expected tax expense	143.4	117.7
Non-tax-deductible expense and non-taxable income	(3.0)	0.7
Applicable tax rates differing from expected rate	(1.8)	(0.6)
Under/(over) provided in prior years	(0.9)	(0.0)
Other impacts	(0.4)	0.4
Total income tax expense	137.3	118.2

¹⁾ 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 profit before tax.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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 2019	31 December 2018
Deferred tax assets	43.8	23.6
Deferred tax liabilities	(4.0)	(2.5)
Deferred tax assets / (liabilities), net	39.8	21.1

In millions of Swiss francs	2019	2018
Balance as of 1 January, net	21.1	21.8
Changes recognized in profit or loss	6.3	4.6
Changes recognized in equity	12.8	(5.6)
Changes recognized in other comprehensive income	0.3	0.2
Exchange differences	(0.7)	0.1
Balance of deferred tax assets / (liabilities) as of 31 December, net	39.8	21.1

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 asset and liability classes giving rise to temporary differences are analyzed below:

In millions of Swiss francs	2019						
	Financial investments	Other non-current assets	Defined benefit plan	Share-based payment expenses	Accrued variable compensation & MCP	Others	Total
Balance as of 1 January, net	(0.3)	(2.5)	0.1	12.1	11.3	0.4	21.1
Changes recognized in profit or loss	0.2	(0.7)	(0.1)	(1.5)	7.2	1.2	6.3
Changes recognized in equity	-	-	-	12.8	-	-	12.8
Changes recognized in other comprehensive income	-	-	0.3	-	-	-	0.3
Exchange differences	0.0	0.1	-	(0.3)	(0.5)	0.0	(0.7)
Balance as of 31 December, net	(0.1)	(3.1)	0.3	23.1	18.0	1.6	39.8

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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, 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, net	(0.3)	(2.5)	0.1	12.1	11.3	0.4	21.1

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.

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	2019	2018
Third-party services	(24.5)	(14.3)
Rental expenses and maintenance costs ¹⁾	(5.3)	(14.2)
Administrative expenses	(26.5)	(22.1)
Travel and representation expenses	(22.2)	(17.2)
Total other operating expenses	(78.5)	(67.8)

¹⁾ As of 1 January 2019, the Group initially applied IFRS 16 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 19.2.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

11. Property and equipment

In millions of Swiss francs								2019
	Land	Buildings	Right-of-use assets	Construction in progress	Office furniture	Interior fittings	Equipment and IT fittings	Total
Cost								
Balance as of 1 January	7.1	5.9	-	44.7	6.1	22.2	9.5	95.5
Recognition of right-of-use asset on initial application of IFRS 16	-	-	42.7	-	-	-	-	42.7
Adjusted balance as of 1 January	7.1	5.9	42.7	44.7	6.1	22.2	9.5	138.2
Additions	56.7	7.0	36.3	42.3	4.0	0.6	3.1	150.0
Transfers	-	53.6	-	(57.2)	-	0.1	4.4	0.9
Disposals	-	-	(0.1)	-	-	(0.7)	-	(0.8)
Exchange differences	(0.1)	(1.5)	(1.2)	(0.4)	(0.1)	-	(0.2)	(3.5)
Balance as of 31 December	63.7	65.0	77.7	29.4	10.0	22.2	16.8	284.8
Accumulated depreciation								
Balance as of 1 January	-	1.4	-	-	3.8	15.7	7.0	27.9
Depreciation	-	0.9	13.0	-	1.3	2.1	2.5	19.8
Transfers	-	-	-	-	-	-	0.9	0.9
Accumulated depreciation on disposals	-	-	-	-	-	(0.7)	-	(0.7)
Exchange differences	-	-	(0.3)	-	-	-	-	(0.3)
Balance as of 31 December	-	2.3	12.7	-	5.1	17.1	10.4	47.6
Carrying amount								
As of 1 January	7.1	4.5	-	44.7	2.3	6.5	2.5	67.6
As of 31 December	63.7	62.7	65.0	29.4	4.9	5.1	6.4	237.2
Impairment losses incurred in 2019								nil

Construction in progress reflects the costs for the Group's Americas headquarters in Broomfield, Denver.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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	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
Disposals	-	-	-	(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	7.1	5.9	44.7	6.1	22.2	9.5	95.5
Accumulated depreciation							
Balance as of 1 January	-	1.2	-	4.5	14.7	8.5	28.9
Depreciation	-	0.2	-	0.7	2.3	1.4	4.6
Accumulated depreciation on disposals	-	-	-	(1.3)	(1.2)	(2.8)	(5.3)
Exchange differences	-	-	-	(0.1)	(0.1)	(0.1)	(0.3)
Balance as of 31 December	-	1.4	-	3.8	15.7	7.0	27.9
Carrying amount							
As of 1 January	7.0	4.7	4.8	2.1	6.7	2.7	28.0
As of 31 December	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 Americas headquarters in Broomfield, Denver.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

12. Intangible assets

In millions of Swiss francs						2019
	Acquired client contracts	Goodwill	Software	Contract costs	Other intangible assets	Total
Cost						
Balance as of 1 January	4.7	32.6	18.2	45.8	7.2	108.5
Additions	-	-	5.2	14.8	1.9	21.9
Disposals	-	-	-	(6.9)	-	(6.9)
Exchange differences	0.1	(0.2)	-	(0.8)	-	(0.9)
Balance as of 31 December	4.8	32.4	23.4	52.9	9.1	122.6
Accumulated amortization and impairment losses						
Balance as of 1 January	4.7	-	12.8	23.1	6.1	46.7
Amortization	-	-	4.1	9.1	0.8	14.0
Accumulated amortization on disposals	-	-	-	(6.9)	-	(6.9)
Exchange differences	0.1	-	-	(0.1)	-	0.0
Balance as of 31 December	4.8	-	16.9	25.2	6.9	53.8
Carrying amount						
As of 1 January	-	32.6	5.4	22.7	1.1	61.8
As of 31 December	-	32.4	6.5	27.7	2.2	68.8
Impairment losses incurred in 2019						nil

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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

Impairment testing for CGU's containing goodwill

The carrying amount of goodwill as of 31 December 2019 (CHF 32.4 million; 2018: CHF 32.6 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 17.2 million (2018: CHF 17.5 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 15.2 million (2018: CHF 15.1 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 in 2016 and into Partners Group (Luxembourg) S.A. in 2019, has been allocated to the private equity segment.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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 (2020–2024). 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 2020 to 2024.
- Other operating expenses growth was applied at a constant rate of 10% p.a. (2018: 10% p.a.).
- Personnel expenses growth was applied at a constant rate of 5% p.a. (2018: 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 (2018: 35%)).
- Pre-tax discount rates of 7.4% (PG RE; 2018: 8.0%) and 6.3% (PG Italy; 2018: 7.4%), respectively, were applied in determining the recoverable amounts of the CGU's. The Group applied market interest rates of 1.8% (PG RE; 2018: 2.9%) and 1.0% (PG Italy; 2018: 3.0%), 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	2019	2018
Balance as of 1 January	299.4	299.2
Issuance of long-term debts	499.1	-
Accreted interest	0.1	0.2
Balance as of 31 December	798.6	299.4

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

ISIN	Date of issue	Face value in millions of CHF	Coupon in %	Year of maturity	Issue price in %	Redemption price in %
CH0361532895	7 June 2017	300.0	0.150%	2024	100.052%	100.000%
CH0419041287	21 June 2019	500.0	0.400%	2027	100.098%	100.000%

The fair values of the corporate bonds as of 31 December 2019 were CHF 301.8 million and CHF 515.0 million, respectively (2018: CHF 300.0 million and n/a, respectively), and were determined by the quoted market price (level 1 input).

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

14. Share capital, capital management and reserves

In effective number of shares	2019	2018
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 (2018: 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 2019 (31 December 2018: CHF 218'100), consisting of CHF 217'100 (31 December 2018: CHF 217'100) for legal reserves from capital contributions and of CHF 1'000 (31 December 2018: 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 278'645 (2018: 207'805) 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 conditionally purchase some of its registered shares. As of 31 December 2018, the total notional amount of CHF 110.0 million was directly recognized in equity. The amount was reversed during 2019 (see note 16.).

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 22 per share on 21 May 2019 (16 May 2018: CHF 19). As the Company's treasury shares are not eligible for a dividend payment, the dividend distribution of CHF 587.4 million approved in May 2019 (May 2018: CHF 507.3 million) was not fully distributed, i.e. a total of CHF 585.4 million was paid out (May 2018: 506.3 million). After the balance sheet date, the BoD proposes a dividend distribution of CHF 680.9 million (CHF 25.50 per share) for 2019.

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 2019 and 2018.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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		2019	
	Shares issued	Treasury shares	Shares outstanding
Balance as of 1 January	26'700'000	207'805	26'492'195
Purchase of treasury shares		618'861	(618'861)
Disposal of treasury shares		(548'021)	548'021
Balance as of 31 December	26'700'000	278'645	26'421'355
Weighted average number of shares outstanding during the period (360 days)			26'520'620
Shareholders above 5% (in % of shares issued) based on notification received		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		2018	
	Shares issued	Treasury shares	Shares outstanding
Balance as of 1 January	26'700'000	105'165	26'594'835
Purchase of treasury shares		807'304	(807'304)
Disposal of treasury shares		(704'664)	704'664
Balance as of 31 December	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) based on notification received		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. The Group is not part of this transaction and therefore the transaction is not recognized on the consolidated balance sheet.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

15. Earnings per share

In Swiss francs	2019	2018
Average fair value of one ordinary share during the period	756.50	708.92
Weighted average exercise price for shares under option during the period	685.19	595.51

	Note	Earnings per share	Profit for the period	2019 Number of shares
Profit for the period (in millions of Swiss francs)			899.9	
Weighted average number of ordinary shares outstanding	14.			26'520'620
Basic earnings per share (in Swiss francs)		33.93		
Weighted average number of shares under option during the period				1'310'821
Number of shares that would have been issued at fair value ¹⁾				(1'092'859)
Diluted earnings per share (in Swiss francs)		33.66		26'738'582

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

	Note	Earnings per share	Profit for the period	2018 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.

As of 31 December 2019, the Group had 1'560'494 options and non-vested shares outstanding (2018: 1'484'142) (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 2019 and 2018

16. Related party transactions

The Group has related party relationships with its 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 2019, associates purchased services from the Group in the amount of CHF 5.6 million (2018: CHF 7.1 million).

As of 31 December 2019, loans to employees of the Group amounted to CHF 9.2 million (2018: CHF 7.2 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	2019	2018
Purchase of treasury shares from shareholders employed by the Group	6'641	5'499
Average purchase price per share (in Swiss francs)	739.02	714.63

In 2018, the Company also entered into an agreement with an executive committee member to purchase some of its registered shares at arm's length. The maximum transaction value amounted to CHF 110 million and was recorded in equity. 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 was below the agreed threshold of CHF 700, the transaction did not take place and was reversed through equity.

The Group is managed by the Board of Directors ("BoD") and the Executive Committee ("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 third-party services (see note 10.) and amount to:

In millions of Swiss francs	2019	2018
BoD:		
Short-term employment benefits	2.3	2.4
Other compensation	0.3	0.2
Share-based payment expenses	4.5	3.1
Other long-term benefits (MCP)	7.5	6.2
Post-employment benefits	0.1	0.1
Total BoD	14.7	12.0
ExCo:		
Short-term employment benefits	7.0	8.2
Other compensation	0.5	0.2
Share-based payment expenses	12.5	10.7
Other long-term benefits (MCP)	9.7	10.2
Post-employment benefits	0.6	0.4
Total ExCo incl. former members	30.3	29.7
Total BoD and ExCo	45.0	41.7

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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 2019	31 December 2018
Board members (vested options)	66'355	82'675
Board members (non-vested options and shares)	-	2'025
Members of the ExCo (options and non-vested shares)	171'135	166'323
Total	237'490	251'023

Share ownership (unrestricted):

In effective number of shares	31 December 2019	31 December 2018
Board members	8'372'538	8'385'206
Members of the ExCo	110'607	647'379
Total	8'483'145	9'032'585

For further information in accordance with Art. 663c of the Swiss Code of Obligations, refer to note 15. of the entity accounts of Partners Group Holding AG.

The Group aligns the interests of clients with those of the Group's employees by offering all employees preferential terms to invest alongside the Group's investment programs via a global employee commitment plan. In line with standard industry practice, no fees are charged on such investments. In total, commitments by the Group's BoD and employees amounted to approximately CHF 1.2 billion as of 31 December 2019.

17. Subsidiaries

17.1. Changes in scope of consolidation

Incorporation of new Group entities

Name	Incorporation date	Principal activity
Partners Group Property AG, Switzerland	4 June 2019	Purchase, sale, construction, reconstruction, maintenance and management of real estate
Partners Group Management VI (USD) S.à.r.l., Luxembourg	14 January 2019	Serve as manager to investment programs
Partners Group Management V (GBP) S.à.r.l., Luxembourg	14 January 2019	Serve as manager to investment programs
Partners Group Management IV (EUR) S.à.r.l., Luxembourg	14 January 2019	Serve as manager to investment programs
Partners Group US Management III LLC, Delaware (USA)	7 January 2019	Serve as manager to investment programs
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 manager to investment programs
Partners Group Private Markets (Australia) Pty. Ltd., Australia	14 March 2018	Support the Group's investment activities in the region

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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.

17.3. Subsidiaries

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

Name of the subsidiary	Place of incorporation and operation		Share Capital in thousands	Interest %	
	Registered office	Country of incorporation		31 December 2019	31 December 2018
				31 December 2019	31 December 2019
Partners Group AG	Baar-Zug	Switzerland	CHF 200	100%	100%
Partners Group Advisors (DIFC) Limited	DIFC	UAE	USD 300	100%	100%
Partners Group Japan Kabushiki Kaisha	Tokyo	Japan	JPY 10'000	100%	100%
Partners Group Private Markets (Australia) Pty. Ltd.	Sydney	Australia	AUD 200	100%	100%
Partners Group Prime Services Solutions (Philippines), Inc.	Taguig City, Metro Manila	Philippines	PHP 13'734	100%	100%
Partners Group (Brazil) Investimentos Ltda.	São Paulo	Brazil	BRL 795	100%	100%
Partners Group (Canada) Inc.	Nova Scotia	Canada	CAD 0	100%	100%
Partners Group (Deutschland) GmbH	Munich	Germany	EUR 32	100%	100%
Partners Group (France) SAS ¹⁾	Paris	France	-	-	100%
Partners Group (Guernsey) Limited	St Peter Port	Guernsey	GBP 31'500	100%	100%
Partners Group (India) Private Limited	Mumbai	India	INR 29'615	100%	100%
Partners Group (Luxembourg) S.A.	Luxembourg	Luxembourg	EUR 1'350	100%	100%
Partners Group (Shanghai) Co., Ltd.	Shanghai	China	CNY 12'363	100%	100%
Partners Group (Singapore) Pte. Limited	Singapore	Singapore	SGD 1'250	100%	100%
Partners Group (UK) Limited	London	UK	GBP 569	100%	100%
Partners Group (USA) Inc.	New York	USA	USD 75	100%	100%

¹⁾ In 2019, Partners Group (France) SAS was merged into Partners Group (Deutschland) GmbH

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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 2019	31 December 2018
Financing/treasury	Switzerland	1	1
Holding of land and property	Switzerland	1	-
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	4
Manager to investment vehicles	USA	4	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	6	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 2019 and 4 March 2020 that would require material adjustments to the amounts recognized in these consolidated financial statements.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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.

The Risk & Audit Committee ("RAC") performed an assessment of the risks to which the Group is exposed to. 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 2019 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 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 and low-value leases. In addition, the nature of expenses related to applicable leases changed as IFRS 16 replaced the operating lease expense with a depreciation charge for the right-of-use assets and an interest expense on lease liabilities.

The accounting policies relating to leases are outlined in note 19.9.

As permitted by the transitional provisions of IFRS 16, the Group applied the modified retrospective approach. The cumulative effect of adopting IFRS 16 was recognized as an adjustment to the opening balance of the respective line items as of 1 January 2019 with no impact on equity. Comparative information was not restated.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

The following practical expedients were elected when applying IFRS 16 where the Group is the lessee in leases previously classified as operating leases under IAS 17:

- Exemption not to apply the requirements of IFRS 16 for short-term leases whereby short-term is defined as leases with a lease term of twelve months or less.
- Recognition exemption not to apply the requirements of IFRS 16 for leases for which the underlying asset is of low value.

Where an extension option exists, the Group concluded that the extension for the offices will be exercised, unless it was reasonably certain that the extension option would not be exercised. Overall, the adoption of IFRS 16 resulted in an increase in both the total assets and the total liabilities on the Group's consolidated financial statements of CHF 42.7 million. The impact of the transition is summarized below:

	31 December 2018	Impact	1 January 2019
Current assets	2'020.4	-	2'020.4
Right-of-use assets	-	42.7	42.7
Other non-current assets	928.7	-	928.7
Non-current assets	928.7	42.7	971.4
Total assets	2'949.1	42.7	2'991.8
Trade and other payables ¹⁾	234.5	7.2	241.7
Other current liabilities	257.7	-	257.7
Current liabilities	492.2	7.2	499.4
Lease liabilities	-	32.5	32.5
Non-current provision for dilapidation	0.3	3.0	3.3
Other non-current liabilities	488.7	-	488.7
Non-current liabilities	489.0	35.5	524.5
Equity	1'967.9	-	1'967.9
Total liabilities and equity	2'949.1	42.7	2'991.8

¹⁾ Impact reflects an addition of current lease liabilities of CHF 11.3 million less a reversal of previously recognized accrued rent expense of CHF 4.1 million.

When measuring lease liabilities, the Group discounted future lease payments using an incremental borrowing rate. The weighted-average rate applied was 1.9%.

For individual lease contracts, the payments are comprised of variable lease payments that depend on an index or rate and are initially included in the lease liability using the index or rate as at the commencement date of the lease. After the commencement date, the lease liability is remeasured to reflect changes to the lease payments arising from changes in the index or rate.

There were no uncommenced leases to which the Group was committed as per 31 December 2019.

As a lessor

The Group sub-leases some of its properties. Per IAS 17, the head lease and sub-lease contracts were classified as operating leases. Upon transition to IFRS 16, the right-of-use assets recognized from the head leases were measured at cost. The sub-lease contracts are classified as operating leases under IFRS 16.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 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:

- IFRIC 23 Uncertainty over Income Tax Treatments
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards

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 17, "Insurance Contracts"	*	1 January 2021	Reporting year 2021
Revisions and amendments of standards and interpretations			
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
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	*	1 January 2020	Reporting year 2020

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

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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.

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.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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.

(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.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

(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
2019	EUR	1.0872	1.1124
	USD	0.9684	0.9937
	GBP	1.2827	1.2692
	SGD	0.7202	0.7286

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

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.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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 fair value through profit or loss.

- A financial liability is classified as at fair value through profit or loss if it is a derivative or it is designated as such on initial recognition. Financial liabilities at fair value through profit or loss 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 investment programs, 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 2019 and 2018

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 2019, the applied discount was 50% (31 December 2018: 50%).

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

Definition of a lease

The Group assesses whether a contract is either a lease or contains a lease based on the new definition of a lease. A contract is either a lease or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for a consideration.

As a lessee

The Group recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of outstanding lease payments at the commencement date, discounted by using an incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and is decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or, as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. Any remeasurement is generally adjusted against the right-of-use asset.

The Group, as a lessee, identified leases mainly relating to rental contracts for its offices (including parking).

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

As a lessor

The sub-lease contracts are classified as operating leases under IFRS 16.

19.10. Third-party services

Third-party services 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.

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.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

19.15. Assets and liabilities held for sale

The Group may seed invest capital into investment programs that the Group typically manages with the objective of providing initial scale and facilitating 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 that 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

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.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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 in order 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. The estimated useful life of intangible assets is as follows:

- | | |
|---------------------------|------------|
| • Goodwill | indefinite |
| • Software | 3–5 years |
| • Contract costs | 2–5 years |
| • Client contracts | 3–5 years |
| • Other intangible assets | 3–10 years |

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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.

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.

Notes to the consolidated financial statements for the years ended 31 December 2019 and 2018

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 upon 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 2019 and 2018

(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 2019, 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 111 to 122) for the year ended 31 December 2019 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 handwritten signature in blue ink, appearing to read 'T. Dorst', written over a faint grid background.

Thomas Dorst
Licensed Audit Expert
Auditor in Charge

A handwritten signature in blue ink, appearing to read 'C. Hochuli', written over a faint grid background.

Christoph Hochuli
Licensed Audit Expert

Zurich, 4 March 2020

KPMG AG, Raffelstrasse 28, PO Box, CH-8045 Zurich

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Income statement of Partners Group Holding AG

for the years ended 31 December 2019 and 2018

In millions of Swiss francs	Note	2019	2018
Dividend income	2.	1'161.1	449.2
Other finance income	3.	61.7	53.6
Other service income		1.1	4.6
Total income		1'223.9	507.4
Third party services		(3.0)	(2.1)
General and administrative expenses		(1.4)	(1.4)
Travel and representation expenses		(0.1)	(0.2)
Finance expense	4.	(99.3)	(77.5)
Profit before tax		1'120.1	426.2
Direct taxes		(0.0)	(0.0)
Profit for the period		1'120.1	426.2

Balance sheet of Partners Group Holding AG

as of 31 December 2019 and 2018

In millions of Swiss francs	Note	31 December 2019	31 December 2018
Assets			
Cash and cash equivalents		633.0	94.9
Other current receivables	5.	605.3	587.6
Accrued income	2.	900.0	0.0
Total current assets		2'138.3	682.5
Financial assets	6.	47.5	26.9
Participations	7.	2'524.8	1'833.4
Total non-current assets		2'572.3	1'860.3
Total assets		4'710.6	2'542.8
Liabilities and equity			
Liabilities			
Current interest-bearing liabilities to subsidiaries		2'159.4	957.2
Other current liabilities	8.	4.4	5.5
Total current liabilities		2'163.8	962.7
Non-current interest-bearing liabilities	9.	800.0	300.0
Other non-current liabilities		0.6	0.1
Provisions	10.	4.0	3.0
Total non-current liabilities		804.6	303.1
Total liabilities		2'968.4	1'265.8
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		834.5	993.9
Profit for the period		1'120.1	426.2
Treasury shares	11.	(212.9)	(143.6)
Total equity		1'742.2	1'277.0
Total liabilities and equity		4'710.6	2'542.8

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2019 and 2018

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 7).

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. Dividend income

The Company has elected to recognize CHF 900 million of dividend income related to the 2019 financial year profit of its subsidiary Partners Group AG in 2019 (the year in which it was earned). As this dividend will not be paid until 2020, this amount has been recorded as accrued income.

3. Other finance income

In millions of Swiss francs	2019	2018
Interest income	7.2	2.7
Foreign exchange gains	44.3	29.6
Gain on treasury shares transactions	10.2	21.3
Total other finance income	61.7	53.6

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2019 and 2018

4. Finance expense

In millions of Swiss francs	2019	2018
Interest expense	(15.2)	(9.7)
Foreign exchange losses	(34.0)	(21.4)
Loss on treasury shares transactions	(47.6)	(45.4)
Other finance expense	(2.5)	(1.0)
Total finance expense	(99.3)	(77.5)

5. Other current receivables

In millions of Swiss francs	31 December 2019	31 December 2018
Third parties	0.3	5.8
Subsidiaries	605.0	581.8
Total other current receivables	605.3	587.6

6. Financial assets

In millions of Swiss francs	31 December 2019	31 December 2018
Loans to subsidiaries	47.5	26.9
Total financial assets	47.5	26.9

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2019 and 2018

7. Participations

	Domicile	Ownership and voting interest	
		31 December 2019	31 December 2018
Partners Group AG	Switzerland	100%	100%
Partners Group Corporate Finance AG in Liquidation	Switzerland	100%	100%
Partners Group Property AG	Switzerland	100%	0%
Partners Group (Deutschland) GmbH ¹⁾	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 Management IV S.à r.l.	Luxembourg	100%	0%
Partners Group Management V S.à r.l.	Luxembourg	100%	0%
Partners Group Management VI S.à r.l.	Luxembourg	100%	0%
Partners Group (France) SAS ²⁾	France	0%	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%	100%
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%
Partners Group Advisors (DIFC) Limited	UAE	100%	100%
Partners Group Private Markets (Australia) Pty. Ltd.	Australia	100%	100%
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%	100%

¹⁾ Effective from 11 February 2020, the legal name changed to Partners Group (EU) GmbH

²⁾ In 2019, Partners Group (France) SAS was merged into Partners Group (Deutschland) GmbH

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2019 and 2018

	Domicile	Ownership and voting interest	
		31 December 2019	31 December 2018
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 2019 and 2018

8. Other current liabilities

In millions of Swiss francs	31 December 2019	31 December 2018
Accrued audit expenses	0.1	0.2
Other accrued expenses	3.9	4.9
Other liabilities	0.4	0.4
Total other current liabilities	4.4	5.5

9. Non-current interest-bearing liabilities

The Company issued the following corporate bonds denominated in Swiss francs and listed on the SIX Swiss Exchange:

ISIN	Date of issue	Face value in millions of CHF	Coupon in %	Year of maturity	Issue price in %	Redemption price in %
CH0361532895	7 June 2017	300.0	0.150%	2024	100.052%	100.000%
CH0419041287	21 June 2019	500.0	0.400%	2027	100.098%	100.000%

10. Provisions

In millions of Swiss francs	31 December 2019	31 December 2018
Provisions for compensation to board members		
Option grants	3.0	2.4
Management carry program	0.9	0.6
Social security expenses on management carry program	0.1	0.0
Total provisions	4.0	3.0

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2019 and 2018

11. Treasury shares

	Number of shares	Weighted average price	Total value
		In Swiss francs	In millions of Swiss francs
Balance as of 1 January 2018	105'165	543.10	57.1
Purchase of treasury shares	807'304	710.53	573.6
Disposal of treasury shares	(704'664)	691.31	(487.1)
Balance as of 31 December 2018	207'805	690.98	143.6
Purchase of treasury shares	618'861	739.03	457.4
Disposal of treasury shares	(548'021)	708.15	(388.1)
Balance as of 31 December 2019	278'645	763.93	212.9

The Company has 1'560'494 (31 December 2018: 1'484'142) 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).

12. Share and option grants to members of the Board of Directors and the Executive Committee

In Swiss francs	2019			2018		
	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	115	732.00	0.1	337	668.50	0.2
Options	20'890	38.30	0.8	18'489	33.81	0.6
Executive Committee						
Shares	13'500	807.60	10.9	-	-	-

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2019 and 2018

13. Commitments and contingent liabilities

In millions of Swiss francs	31 December 2019	31 December 2018
Guarantees for third parties	57.7	56.5
Guarantees for subsidiaries	865.0	430.0

The Company and certain subsidiaries maintain the following lines of credit as of 31 December 2019 (see note 5.4.3. of the consolidated financial statements):

- CHF 460 million (31 December 2018: CHF 400 million)
- CHF 375 million (31 December 2018: CHF 0.0)
- CHF 30 million (31 December 2018: CHF 30 million)

The amounts drawn by subsidiaries are guaranteed by the Company.

As of 31 December 2019 there are no amounts drawn (31 December 2018: CHF 0.0).

14. Shareholders above 5%

As of 31 December 2019, the Company had received notification of four significant shareholders whose voting rights exceed 5%.

	31 December 2019	31 December 2018
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 2019 and 2018

15. Share and option holdings by members of the Board of Directors and the Executive Committee

Number of shares and options	31 December 2019		
	Share ownership	Non-vested shares	Options
Board of Directors			
Steffen Meister, Executive Chairman	350'675	-	-
Dr. Eric Strutz, Vice Chairman	102	-	13'659
Dr. Marcel Erni	2'673'659	-	-
Michelle Felman	102	-	10'694
Alfred Gantner	2'673'659	-	-
Grace del Rosario-Castaño	102	-	12'226
Dr. Martin Strobel	580	-	4'570
Patrick Ward	-	-	25'206
Urs Wietlisbach	2'673'659	-	-
Total Board of Directors	8'372'538	-	66'355
Executive Committee			
André Frei, Co-Chief Executive Officer	49'383	3'096	32'820
David Layton, Co-Chief Executive Officer	2'916	3'746	24'500
Juri Jenkner	7'853	2'631	32'404
Andreas Knecht, Chief Operating Officer and General Counsel	7'061	2'198	34'400
Marlis Morin	17'203	1'035	-
Dr. Michael Studer	26'191	2'305	32'000
Total Executive Committee	110'607	15'011	156'124
Total	8'483'145	15'011	222'479

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2019 and 2018

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	-	-
Total Board of Directors	8'385'206	2'025	82'675
Executive Committee			
André Frei, Co-Chief Executive Officer	50'271	112	32'820
Christoph Rubeli, Co-Chief Executive Officer	538'993	112	2'500
Juri Jenkner	7'638	555	32'404
Andreas Knecht, Chief Operating Officer and General Counsel	4'109	592	37'100
David Layton	2'664	592	24'500
Marlis Morin	16'969	464	1'700
Dr. Michael Studer	26'735	472	32'400
Total Executive Committee	647'379	2'899	163'424
Total	9'032'585	4'924	246'099

16. 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 2019

In millions of Swiss francs	31 December 2019
Profit for the period	1'120.10
Results carried forward	834.52
Total voluntary retained earnings available for appropriation	1'954.62
Proposal by the Board of Directors to the Annual General Meeting of shareholders:	
To be distributed to shareholders	(680.85)
To be carried forward	1'273.77

Compensation Report



Grace del Rosario-Castaño member of the Board of Directors and Chairwoman of the Nomination and Compensation Committee

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 2019 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 2019.

2019 financial and investment performance

In 2019, Partners Group continued its growth trajectory as measured by most key figures. We realized further potential in private markets and invested USD 15 billion on behalf of our clients, maintaining our highly disciplined approach and rigorous standards of selectivity across all private markets asset classes. Assets under management grew by 13%, net, to USD 94 billion and management fees grew by 14% to CHF 1'138 million. Revenues increased by 21% year-on-year to CHF 1'610 million and EBIT by 17% and CHF 1'008 million, respectively. Based on the solid development of the business in all asset classes and regions, the Board of Directors will propose a dividend of CHF 25.50 per share to shareholders at the next Annual General Meeting, representing a year-on-year increase of 16%.

Review of our compensation disclosure and shareholder feedback in 2019

Although the general philosophy behind our compensation policy has remained unchanged since inception, we undertake periodic reviews of our compensation structure and adjust as necessary to ensure that the interests of clients, shareholders, employees and other stakeholders remain well aligned.

In 2019, we reached out to major shareholders and several proxy advisors once again to reflect on industry trends and gather outside perspectives. During our meetings, we discussed the topics which we believe caused controversy among our shareholders and proxy advisors, resulting in a comparably low acceptance rate of only 69% for our Compensation Report at our last Annual General Meeting. This result motivated us to further improve the transparency and clarity of our approach to three main topics related to our short- and long-term compensation.

"We believe that executives' compensation should be more directly linked to achieving the objectives outlined by the firm."

To address these topics in this year's report, we have made amendments and/or provided additional information on the following:

- First, we clarify that the total short-term cash compensation granted to the Executive Committee is relatively consistent across the committee and represents a stable compensation component. It is equally split between a cash base salary and a deferred cash payment and not linked to performance targets (see section 3.1).
- Secondly, the Nomination & Compensation Committee suggested replacing one of the two payout components of our long-term incentive (LTI) scheme. The component in question links the payout to executives to a combination

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of 1) outperformance against a benchmark index¹, and, 2) the performance fee development of a given vintage pool. The Committee replaced this component with restricted shares of Partners Group Holding as it believes that executives' compensation should be more directly linked to achieving the objectives outlined by the firm ("pay-for-performance"). As of today, the payout component following the outperformance against a benchmark index represented half of the LTI grant value and only indirectly linked the pay of executives to the actual performance of the firm (via the share price development of a peer group). This view was also shared by our shareholders. Restricted shares as well as the remaining payout component better incentivize the team to reach company-specific objectives (see section 3.2).

- Thirdly, we follow the general corporate governance principle of "comply or explain" and explain why we grant (restricted) options to independent members of the Board as part of their total annual Board fee. We also provide insights into the Board compensation structures used in our industry.

In private markets, independent directors on portfolio company Boards are expected to actively participate in developing value-enhancing strategies. In addition, independent directors are typically expected to invest a meaningful proportion of their own net worth into the portfolio company alongside private equity investors in order to participate in both upside potential and downside risk. In line with this principle, and to encourage engagement in value creation initiatives, incentive schemes for independent Board members may allow for additional upside through options – but only if these Board members materially share the downside risk.

These compensation schemes have proven to be efficient and effective as a means to reward success during Partners Group's more than 20-year history as a private markets investment manager. While it is not possible to fully mirror the private markets approach to Board compensation in a public markets context, we wish to benefit directionally from this highly successful model (for more details see section 5.6).

¹ S&P Listed Private Equity Index.

During our meetings with shareholders and proxy advisors, we also acknowledged upcoming focus topics and introduced our firm's current environment social governance (ESG)/ corporate social responsibility (CSR) targets to stakeholders. Our targets include (i) achieving our 20 by 2020 and 25 by 2025 diversity targets², (ii) ensuring at least 90% of employees are trained on ethics-related issues, and (iii) establishing a deep-dive ESG engagement with every one of our lead direct investments. These targets are included in our overall executive compensation assessment (see Exhibit 2).

Compensation of the Executive Committee

The total short-term cash compensation granted to the Executive Committee in 2019 was similar to the amount granted in 2018. Half of the cash compensation was granted in the form of a base salary and the other half in the form of a deferred payment. We confirm that we have no intention to change this cash compensation approach in 2020 and clarify that the total short-term cash compensation granted to the Executive Committee is based on function and represents a stable compensation component.

"In private markets, independent directors on portfolio company Boards are expected to actively participate in developing value-enhancing strategies."

The Executive Committee was also granted LTIs in 2019, which had a similar grant value to those granted in 2018. In our annual review of our LTI scheme, we did not amend the methodology we use to determine the overall LTI pool. Our performance review confirmed that the overall objectives of the Executive Committee were met (see section 4.1): first, the Executive Committee met its financial targets (management fee EBIT increased in line with expectations), second, it modestly underperformed its investment objectives (a lower amount invested compared to the previous year resulted in slightly less performance fee-related investment volume) and third, it outperformed its qualitative objectives, which included the implementation of our "ownership excellence" programs across the organization resulting in increased operational effectiveness, improved leadership and organizational learnings

² By 2020, we wish to have female ambassadors at 20 top universities globally in order to attract the next generation of talented young women and, by 2025, we wish to substantially increase the number of our female Partners and Managing Directors to at least 25 (see CSR report 2018/2019).

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(for e.g. our newly introduced PG Academy platform, a company-wide training platform). As a result of this assessment, the Nomination & Compensation Committee set the nominal amount of LTIs allocated in 2019 equal to the amount allocated in 2018 (i.e. as outlined in section 4.2., the overall compensation factor for the full-year 2019 LTI allocation was set at 1.0x). Around two thirds of the value were granted in restricted shares and around one third in Management Performance Plan (MPP) rights.

Compensation of executive Board members

Our approach to the compensation of executive members of the Board is similar to that of the Executive Committee. We determined the overall LTI pool by looking at quantitative and qualitative criteria. We then determined the individual LTI allocation based on performance relative to assignments and committee roles.

For the 2019 compensation, the combination of quantitative and qualitative assessment led to a compensation factor of 1.00x, based also on a moderate underperformance on performance fee-weighted investment volumes and an outperformance on leadership and strategic direction (e.g. driving “ownership excellence” programs, fostering the firm’s approach to entrepreneurial governance across portfolio companies). As such, the overall amount of the LTI pool for executive members of the Board was similar to the amount granted in 2018. Also, individual LTI grants were set at the level of the previous year based on the achieved objectives of the executive Board members. Due to their already significant shareholding in the firm, executive members of the Board were granted their LTI entirely in MPP rights.

Compensation of independent Board members

As indicated in our 2018 Compensation Report, the Board has amended the compensation framework for independent Board members and proposed a more detailed, module-based compensation approach. This approach considers individual business assignments, the time each member allocates to Board committee responsibilities, and their additional contribution to the firm’s business beyond their committee responsibilities (see section 5.4).

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

1.1 Philosophy

Our investment approach favors trusted, long-term relationships that extend beyond our USD 94 billion AuM and our more than 1'450 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 180'000 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 private assets in which we invest.

Our compensation framework honors this responsibility and promotes a corporate culture that contributes to the company's sustained success, while adhering to its values. 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.

1.2 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 results, 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 and sustainable investment performance on a mid- to long-term basis, 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 trust 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 understand our clients' 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

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2. Pay for performance

The total short-term cash compensation granted to the Executive Committee is based on function and represents a stable compensation component. It is not linked to performance targets and is equally split between a cash base salary and a fixed deferred cash payment. In contrast, the allocation of LTIs, which should encourage true entrepreneurialism and a long-term perspective, is linked to two equally weighted annual performance assessments:

- **Quantitative achievements**, which assess the firm's financial performance and investment development.
- **Qualitative assessments**, which emphasize strategy implementation and leadership achievements.

In these annual performance assessments, the nominal LTI pool granted the previous year serves as a basis to calculate the LTI pool for the year under review. Based on the assessment of both quantitative and qualitative achievements, a compensation factor is determined, which is then multiplied by the previous year's nominal LTI pool. The Nomination & Compensation Committee has decided to cap the compensation factor at a maximum of 2.0x the previous year's LTI pool on the upper end, and at a minimum of 0.5x on the lower end, preventing either excessive upside and downside for LTI participants. For example, a compensation factor of 1.0x means that the nominal LTI pool in the year under review remains the same as in the previous year.

2.1. Assessment of quantitative measures

The financial performance of the firm reflects its operational strength and is typically a result of successful past decision-making. As such, the year-on-year development of the firm's financial performance is one of two quantitative input factors used to determine the compensation factor.

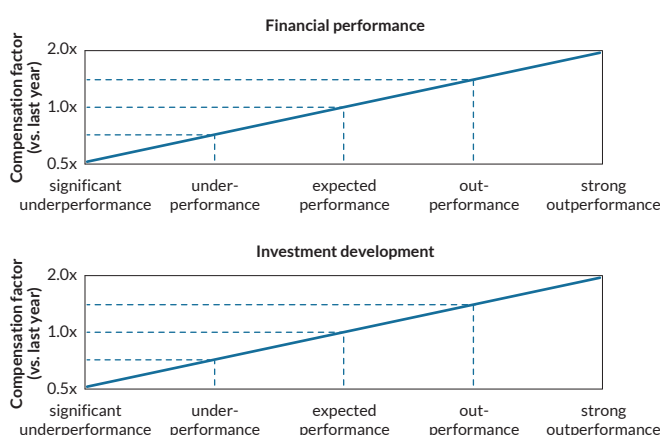
- **Assessment of financial performance (50% weighting)**
We assess financial performance based on the year-on-year change in management fee EBIT (defined as EBIT adjusted for non-management fee-related and non-ordinary items).³

Successful investments made in the year under review provide the basis for potential future performance fees. Their year-on-year development serves as the second quantitative input factor determining the compensation factor.

- **Assessment of investment development (50% weighting)**

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).

Exhibit 1: Year-on-year adjustment of quantitative assessment



2.2. Assessment of qualitative measures

The Nomination & Compensation Committee also applies a qualitative assessment, which is equally important and considers performance metrics such as strategy implementation and leadership achievements.

- **Assessment of strategy implementation:** we assess the successful implementation of key strategic initiatives as well as continued business & operational excellence across our platform and businesses.
- **Assessment of 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 the firm's purpose

The final compensation factor is derived from a combination of the abovementioned qualitative assessment and the quantitative assessment.

³ As of the Nomination & Compensation Committee meeting in November of the year under review.

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2.2. 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 executive member commences. Individual goals differ depending on a member's function and level of responsibility and are outlined in Exhibit 2:

- At Executive Committee-level, each member has additional objectives with a greater focus on either investment-, client-, corporate-, service- or environmental social governance (ESG)/corporate social responsibility (CSR)-related activities.
- At Board committee-level, each executive member of the Board has additional responsibilities through his/her membership in the respective sub-committees.

2.3. 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.

2.4. Equal pay analysis

Our Human Resources department regularly performs equal pay analyses and shares the results with the Nomination & Compensation Committee. In the course of the audit of the 2019 compensation report, KPMG acknowledged this analysis and took note of the results and the considerations presented to the Nomination & Compensation Committee.

The analysis is performed on the basis of a global job grading system, which classifies functions according to different dimensions such as responsibilities, experience, skills, leadership and regional differences. Based on these criteria, the analysis identified no pay gap between male and female professionals within similar grades and within the same geography.

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Exhibit 2: Group- and Executive Committee-level objectives & Board committee responsibilities

Group level	Objectives
Investment platform	<ul style="list-style-type: none"> Achieve sustainable growth and scale of investment capacity Create long-term value in portfolio assets
Financials	<ul style="list-style-type: none"> Focus on sustainable growth Balancing 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 via 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 best practices in corporate governance amongst portfolio assets
Clients	<ul style="list-style-type: none"> Extend client coverage (regional and type of investors) Best-in-class client coverage (incl. compliance) Achieve fundraising goals (mandates, flagship programs and evergreen programs)
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 corporate IT infrastructure landscape to ensure operational excellence Maintain excellent compliance track record Ensure framework for hiring, onboarding, developing and retaining of top talents
ESG/CSR	<ul style="list-style-type: none"> Achieve our 20 by 2020 and 25 by 2025 diversity targets³⁾ Ensure at least 90% of employees are trained on ethics-related issues Establish a deep-dive ESG engagement with every one of our lead direct investments

Executive 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 Lead the coverage of the firm's key client prospects and global consultant network

1) Executive Committee.

2) PRIMERA is our proprietary private markets database.

3) By 2020, we wish to have female ambassadors at 20 top universities globally in order to attract the next generation of talented young women and, by 2025, we wish to substantially increase the number of our female Partners and Managing Directors to at least 25 (see CSR report 2018/2019).

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3. Compensation components

The Nomination & Compensation Committee continues to strive for consistency in the firm's approach to compensation and has not changed the methodology used to determine the size of the compensation pools since last year. While the total short-term cash compensation is fixed and not linked to performance targets, the LTI compensation has a clear link to strategy and tangible targets.

In 2019, an amendment to the firm's LTI scheme was proposed and implemented, involving the replacement of one of the two payout components of the scheme. The component in question links the payout granted to executives to a combination of 1) outperformance against a benchmark index⁴, and, 2) the performance fee development of a given vintage pool. The Committee replaced this component with restricted shares of Partners Group Holding via its Employee Participation Plan (EPP) as it believes that executive compensation should be more directly linked to achieving the objectives outlined by the firm ("pay-for-performance"). The payout component we have replaced represented half of the LTI grant value and only indirectly linked the pay of executives to the actual performance of the firm (via the share price development of a peer group). Restricted shares (EPP), as well as the remaining payout component, better incentivize the team to reach company-specific objectives.

Exhibit 3: Compensation components for the Executive Committee

Type of compensation		Instrument	Timing	
Total cash compensation	Base salary & benefits	Cash	Short-term	
	Deferred cash payment ¹⁾			
Long-term incentives	Previously	Equity (share-based)	LTI	
	Absolute MPP performance			Absolute MPP performance
	Relative MPP performance			Restricted EPP shares

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.

⁴ At the time, the Nomination & Compensation Committee believed that the S&P Listed Private Equity Index (Ticker: SPLPEQTY) was the closest industry benchmark and that it therefore represented the best proxy to measure Partners Group's relative performance within the private markets industry. The calculation of the intrinsic value of the 2017 and 2018 LTI grants after the initial grant (grant date + 5 years) related to absolute shareholder return as well as to a total return outperformance against the benchmark.

3.1. Total cash compensation

The total cash compensation is based on function and represents a stable compensation component. More specifically, it is based on an individual's role and level of responsibility for the upcoming year and is typically only adjusted with a change of role. The total cash compensation is equally split between a cash base salary and a fixed deferred cash payment.

Cash base salary & pension benefits: cash base salaries 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.

Deferred cash payment: the fixed deferred cash payment is awarded at year-end to the Executive Committee. The individual deferred cash payment set by our compensation framework is intended to be stable and predictable. The Nomination & Compensation Committee has the flexibility to adjust the fixed deferred cash compensation downwards (not upwards) in the rare case the firm or an individual committee member severely underperforms in the year under review. An adjustment could also be applied in exceptional cases, such as crisis years. Any such adjustment, and the reason for the adjustment, would be made transparent to shareholders. Executive Committee members are typically notified of their deferred cash payment at year-end and receive the cash the following February.

Exhibit 4: Total cash compensation for Executive Committee members in 2019 (in thousands)

Function	Cash base salary	Deferred cash payment	Total cash compensation
Co-CEO _{CH}	CHF 750	CHF 750	CHF 1'500
Co-CEO _{USA}	USD 750	USD 750	USD 1'500
Executive Committee member	CHF 500	CHF 500	CHF 1'000

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3.2. Long-term incentives (LTIs)

LTIs consist of two payout components, the Management Performance Plan (MPP) and the Employee Participation Plan (EPP). The Nomination & Compensation Committee believes 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 senior leaders are strongly aligned with those of clients and shareholders and involve a focus on both sustainable financial performance and long-term investment success. Around one-third of the value of LTIs was granted in MPP and two-thirds in restricted shares (EPP).

3.1.1 Management Performance Plan (MPP)

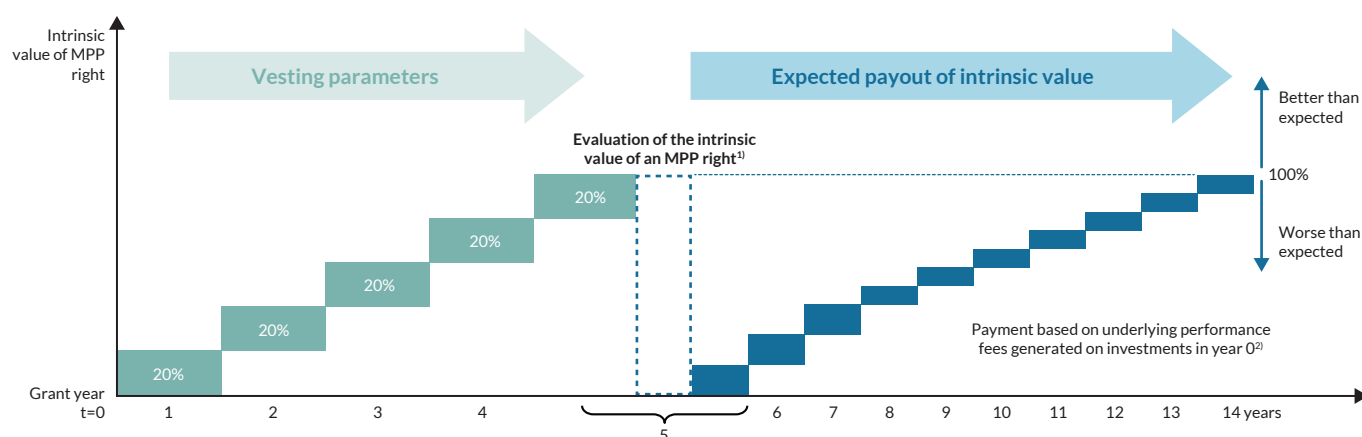
The MPP reinforces a strong alignment of interests with shareholders as it is dependent on the share price development over a five-year period. At the same time, the MPP ensures a strong alignment of interests with clients as it is dependent on the achievement of a performance fee target, which ultimately 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. The MPP's long vesting schedules and even longer payout periods are highlighted below (see Exhibit 5).

- **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 two-year selling and exercise restriction. It starts in year five and ends in year 14. The MPP payout can deviate from the intermediate intrinsic value calculated in year five 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 5: Vesting and expected payout of the MPP, one of the firm's LTI payout components



1) The intrinsic value of MPP rights is determined after five years of the grant and relates to absolute shareholder return (net of dividends). Thereby, the intrinsic value of the 2019 MPP cannot exceed 10x the grant fair value. See detailed description in Appendix A.1.

2) The time period following the determination of the intrinsic value of MPP rights focuses entirely on how such value 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.1.

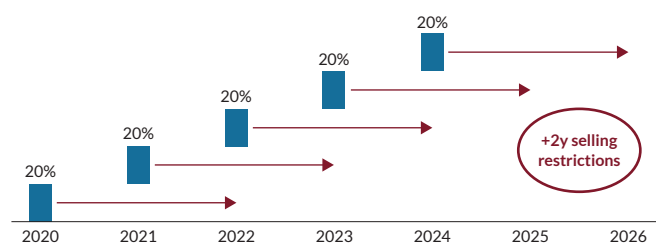
Compensation Report

3.1.2 Employee Participation Plan (EPP)

Partners Group has a long-term history of granting equity incentives to all its professionals. These are awarded at year-end and aim to align all Partners Group employees' interests with those of external shareholders. As of 2019, the EPP was introduced as a new LTI component for Executive Committee members. The stringent EPP vesting and restriction parameters and payout mechanism are highlighted below:

- **Vesting:** the EPP grants vest linearly over a period of five years, contingent on continued employment with the firm.
- **Restriction:** any vested EPP to the Executive Committee has a two-year selling and exercise restriction. This selling and exercise restriction is intended to incentivize long-term sustainable value creation and profitability.

Exhibit 6: 2019 EPP vesting parameters (shares) for Executive Committee members



While the allocation of restricted shares de-risks the compensation profile due to the higher intrinsic value of these shares at grant, the Nomination & Compensation Committee mitigates any concerns around this by providing less upside potential through a lower allocation of Management Performance Plan rights (due to the option-like nature of MPP rights as opposed to restricted shares). Eligibility to receive restricted shares is subject to the same annual performance review process as all other parts of the LTI scheme (see section 2).

3.3. Further benefits provided disclosed according to “Ordinance against Excessive Compensation (OaEC)”

The OaEC requires board members of listed companies to disclose all benefits directly or indirectly provided to the Executive Committee and the Board of Directors, even if not related to compensation. As such, in relation to our firm-wide Employee Commitment Plan (ECP), we disclose any preferred terms granted to members of the Executive Committee and the Board for select investments in Partners Group programs.

The firm has a history of investing into its own investment programs alongside its clients (typically around 1% of the program's size) with its balance sheet. This aligns the interests of clients with those of the firm and its employees. For select direct investment programs, our institutional clients' expectations around the size of such investments increases.

In order to meet these expectations, Partners Group's Board has introduced the ECP to increase incentives for employees to provide more substantial commitments and align an even greater number of employees with clients. In line with industry practice, Partners Group offers its employees (including the Executive Committee and the Board of Directors) similar preferential terms & conditions to invest into its private markets programs, offering such investments at no management fees and no performance fees.

According to the OaEC, these discounted fees are subject to approval by shareholders. The Nomination & Compensation Committee discloses in this report all such discounted fees granted to the Executive Committee and members of the Board of Directors for investments made alongside investors in the firm's closed-ended investment programs (see Exhibit 10 for the Executive Committee or see Exhibit 13 for the Board of Directors).

3.4. Equity incentive plans have caused no dilution of number of shares for shareholders since the IPO

There has been no dilution of Partners Group's share capital since the IPO in March 2006, as the firm holds treasury shares to provide shares for existing equity incentive programs. Furthermore, the treasury shares necessary to cover the granted non-vested shares have already been purchased by the firm. 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 2019 Annual Report.

As of 31 December 2019, the Group had 1'560'494 options and non-vested shares outstanding (2018: 1'484'142). 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. As of 31 December 2019, to cover the outstanding in-the-money options at the year-end share price of CHF 887.40 (2018: CHF 596.00), net (i.e. after considering the respective strike price) 291'045 treasury shares would be necessary (2018: 173'223). As of 31 December 2019, Partners Group held 278'645 treasury shares, corresponding to 1.04% of the total share capital.

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4. Executive Committee compensation 2019

4.1. Total cash compensation

The total cash compensation granted to the Executive Committee amounted to CHF 7.8 million in 2019 (2018: CHF 7.3 million, excluding former Executive Committee members in order to allow for a better like-for-like comparison). The total cash compensation granted to the Executive Committee slightly increased due to the increase in cash compensation granted to David Layton, who became Co-CEO as of 1 January 2019. In 2018, he earned a lower cash base salary compared to his Co-CEO colleague André Frei.

Exhibit 7: Development of total cash compensation (like-for-like) for the Executive Committee (in CHF m)

Total short-term incentives			
	2018	2019	Deviation
Cash base salary	3.0	3.5	+15%
Deferred cash payments	3.7	3.5	-5%
Total cash compensation	7.3	7.8	+6%

Note: excludes 2018 compensation of Christoph Rubeli, former Co-CEO of Partners Group, who left the Executive Committee as of 31 December 2018.

4.2. LTIs

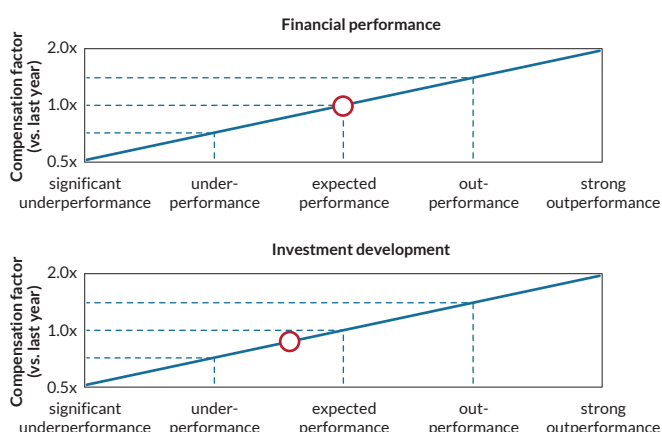
The Executive Committee was granted nominal LTI (EPP+MPP) amounting to CHF 16.5 million in 2019 (2018: CHF 16.5 million, excluding former Executive Committee members), representing no change from the previous year. Around two thirds of the value were granted in restricted shares (EPP) and around one third in MPP (see Exhibit 10).

The **quantitative achievements** in 2019 resulted in both quantitative factors assessed to come in **slightly below 1.0x** (see Exhibit 8):

- **Financial performance 2019:** given that the financial performance **met expectations**, it resulted in a compensation factor of 1.0x. The management fee EBIT considered at the time by the Nomination & Compensation Committee grew by 10% (excluding a special compensation adjustment initiated by the Board). This achievement of the Executive Committee was in line with the original 2019 Board expectations of ~10%.

- **Investment development 2019:** investment development **modestly underperformed** expectations and therefore resulted in a compensation factor below 1.0x. The slight decrease was mainly due to the decrease in the firm's performance fee-weighted investment volume, by slightly more than 10%, compared to the previous year.

Exhibit 8: quantitative assessment 2019



The assessment of the **qualitative performance** considers performance metrics, such as strategy implementation and leadership achievements. As outlined below, the qualitative compensation factor came in **slightly above 1.0x** due to the strong leadership achievements of the Executive Committee.

- **The Executive Committee met expectations in strategy implementation:** among other achievements, the Executive Committee (1) built out our longer-term, business-oriented entrepreneurial governance approach (e.g. establishing a dedicated business unit and further developing our approach to Board excellence); (2) further built out the firm's Thematic Sourcing approach (e.g. establishing a dedicated research unit next to the Industry Value Creation team which builds strong conviction for select sub-sectors and enables us to remain more deliberate and disciplined in our sourcing efforts compared to a top-down approach; implementation of monthly Relative Value meetings for specific industry verticals); and (3) further developed the firm's next generation mandate solutions, allowing clients to strategically build up private markets exposure over the long term.

Compensation Report

- The Executive Committee outperformed expectations in leadership achievements:** the Executive Committee initiated its “ownership excellence” program, which further strengthened organizational effectiveness across the entire firm. It also implemented operational excellence guidelines across almost all business units, increasing corporate effectiveness/efficiency with a focus on day-to-day operations and services. The Executive Committee further implemented leadership development programs for its mid-level leaders and key talents as well as a systematic approach to implementing organizational learnings based on a newly introduced PG Academy platform, a company-wide training platform. For example, systems and processes were improved and expanded to an increasing number of professionals globally. Training programs focused on compliance and business ethics matters were also enhanced in 2019.

Combining quantitative and qualitative factors

The Nomination & Compensation Committee concluded that the overall compensation factor for the full-year LTI allocation should be set at 1.0x. This means that the nominal amount of LTIs allocated in 2019 equals the amount allocated in 2018.

4.3. Co-CEO compensation

In 2019, the total cash compensation across the entire Executive Committee and the Co-CEOs is outlined in Exhibit 4. In 2019, the total compensation for the firm’s Co-CEOs are as follows:

André Frei

André Frei earned a cash base salary amounting to CHF 0.75 million and a deferred cash payment of CHF 0.75 million. This brings his total cash compensation to CHF 1.50 million (2018: CHF 1.50 million).

The Nomination & Compensation Committee assessed the performance of André Frei based on his achievements of the Executive Committee-level objectives outlined in Exhibit 2. His results met expectations on all objectives and exceeded expectation on leadership achievements. His LTI grant therefore increased by 7% (CHF +0.25 million) to CHF 3.75 million (2018: CHF 3.50 million). This compares slightly favorably to the overall flat development of the entire LTI pool.

David Layton

David Layton receives his total cash compensation in USD. Expressed in CHF, he earned a cash base salary amounting to CHF 0.75 million and a deferred cash payment amounting to CHF 0.75 million. This brings his total cash compensation to CHF 1.49 million in 2019 (2018: CHF 1.25 million). He received a lower base compensation compared to André Frei in 2018 as he only became Co-CEO as of 1 January 2019.

David Layton’s performance was also assessed based on his achievement of the Executive Committee-level objectives outlined in Exhibit 2. The results achieved under his direct leadership met the firm’s expectations on all objectives. However, the results achieved on investment development were modestly below expectations. The investment development in 2019 resulted in somewhat lower performance fee-weighted investment volume in 2019 and impacted his LTI grant by 6% (CHF -0.25 million), which amounted in total to CHF 4.25 million (2018: CHF 4.50 million). This compares somewhat unfavorably to the overall flat development of the entire LTI pool.

4.4. Highest paid Executive Committee member

The highest paid Executive Committee member in 2019 was David Layton, who became Co-CEO as of 1 January 2019. He was awarded a total cash compensation of CHF 1.49 million (2018: CHF 1.25 million) and LTIs to the value of CHF 4.25 million (2018: CHF 4.50 million). The total compensation amounted to CHF 5.8 million in 2019 (2018: CHF 5.8 million). See Exhibit 10 for further details.

4.5. Compensation caps

The 2019 compensation for the Executive Committee did not exceed the firm’s defined compensation caps. Compensation caps are calculated in relation to the cash base salaries of an individual member of the Executive Committee. The ratio between the Executive Committee members’ deferred cash payment compared to their cash base salary was 1.0x in 2019 (cap = 3x). The ratio between the committee members’ LTIs, compared to their cash base salary, ranged from 2.0x to 5.7x in 2019 (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.

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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 2019, 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 2018 and 2019.

4.8. AGM 2020: Executive Committee compensation approvals

At the 2019 AGM of shareholders, the Nomination & Compensation Committee prospectively asked shareholders for the approval of one single compensation budget for the Executive Committee combining cash base salaries, deferred cash payments and LTIs. At the 2020 AGM of shareholders, the Board will ask shareholders to vote prospectively on the total cash compensation and retrospectively on the LTI allocations. The Nomination & Compensation Committee believes this will allow shareholders to better evaluate the link between pay and performance. The Board will ask shareholders at their annual meeting for their approval of the following proposals below.⁵

- The Board of Directors applies for the **retrospective approval of an LTI compensation**⁶ of CHF 16.5 million for the Executive Committee for the 2019 fiscal year (2018: CHF 20 million in total or CHF 16.5 million, excluding a former Executive Committee member⁷).
- The Board of Directors applies for the **prospective approval of a maximum total cash compensation**⁸ of CHF 7.5 million for the Executive Committee for the 2021 fiscal year.

⁵ The final proposals will be outlined in the invitation sent to shareholders for the AGM to be held on 13 May 2020.

⁶ Excludes social security payments; includes Employee Participation Plan (EPP) amounting to CHF 10.9 million and Management Performance Plan (MPP) amounting to CHF 5.6 million.

⁷ Excludes the 2018 compensation of Christoph Rubeli, former Co-CEO of Partners Group, who left the Executive Committee as of 31 December 2018.

⁸ Includes cash base salary, pensions, other benefits, a deferred cash payment and a technical non-financial income but excludes social security payments. See also Partners Group's Article of Association Art. 37, 6. If new members of the executive management are appointed and take up their position with the Company after the annual shareholders' meeting has approved the maximal total compensation to the members of the executive management for the fiscal year concerned, these newly appointed members of the executive management may be paid an additional amount for compensation periods that had already been approved by the shareholders' meeting. This additional amount may, in aggregate for all newly appointed members of the executive management, not exceed 40% of the total compensation to the members of the executive management already approved by the shareholders' meeting. This additional total compensation is deemed to include indemnification received to compensate for disadvantages caused by the change of employment, as the case may be.

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Exhibit 9: Composition of the Executive Committee 2019 and functions of its members

Name	Joined Partners Group in	Nationality	Age	Position
André Frei	2000	Swiss	44	Co-Chief Executive Officer
David Layton	2005	American	38	Co-Chief Executive Officer and Head Private Equity
Juri Jenkner	2004	German	44	Head Private Infrastructure
Andreas Knecht	2009	Swiss	50	Chief Operating Officer and General Counsel
Marlis Morin	2003	Swiss/Italian	49	Head Client Services
Dr. Michael Studer	2001	Swiss	47	Chief Risk Officer and Head Portfolio Solutions

Exhibit 10: Executive Committee compensation for the full-year 2019 (audited)

In thousands of Swiss francs							2019
	Cash base salary	Deferred cash payment	Other ¹⁾	Subtotal cash compensation	LTI (EPP)	LTI (MPP) ²⁾	Total ^{3), 4)}
André Frei, Co-Chief Executive Officer	750	750	271	1'771	2'500	1'250	5'521
David Layton, Co-Chief Executive Officer and Head Private Equity	745	745	58	1'548	2'751	1'500	5'799
Total Executive Committee	3'495	3'495	1'081	8'071	10'903	5'600	24'574

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.1.

3) Figures above exclude discounted fees for investments made alongside investors in Partners Group's investment programs under the firm's Employee Commitment Program. Including these accrued but not yet paid items the total compensation for the entire Executive Committee amounts to CHF 24'584 thousand, including CHF 10 thousand for discounted fees. The total compensation of André Frei and David Layton amounts to CHF 5'526 thousand (including CHF 5 thousand of discounted fees) and CHF 5'799 thousand (including CHF 0 thousand of discounted fees), respectively.

4) Total compensation of the Executive Committee, excluding LTIs and social security costs represents CHF 7.1 million and lies within the approved compensation budget of CHF 7.5 million at the 2019 AGM of shareholders in May.

Exhibit 11: Executive Committee compensation for the full-year 2018 (audited)

In thousands of Swiss francs							2018
	Cash base salary	Deferred cash payment	Other ¹⁾	Subtotal cash compensation	LTI (EPP)	LTI (MPP) ²⁾	Total
André Frei, Co-Chief Executive Officer	650	850	134	1'634	-	3'500	5'134
David Layton, Co-Chief Executive Officer and Head Private Equity ³⁾	489	734	55	1'278	-	4'500	5'778
Total Executive Committee	3'039	3'684	586	7'309	-	16'500	23'809
Christoph Rubeli, Co-Chief Executive Officer ⁴⁾	650	850	61	1'561	-	3'500	5'061
Total Executive Committee incl. former members	3'689	4'534	647	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.1.

3) Effective from 1 January 2019, David Layton, Partner and Head Private Equity, succeeded Christoph Rubeli as Co-Chief Executive Officer.

4) Member until 31 December 2018.

Compensation Report

5. Board compensation 2019

The Board consists of nine members, of whom five are classified as independent and four as executive members, and has the goal to build a sustainable, entrepreneurial business over the long term for the benefit of its clients, employees and shareholders. The Board thereby 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.

Beyond their statutory duties and supervisory and risk management tasks, 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.

5.1. Review of compensation framework 2019

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. The remuneration of the **executive members of the Board** was set as follows:

- **Cash base salary:** the cash base salary is fixed at CHF 0.30 million p.a.
- **LTIs:** Our approach to the compensation of executive members of the Board is similar to that of the Executive Committee. We determined the overall LTI pool by looking at quantitative and qualitative criteria. We then determined the individual LTI allocation based on performance relative to assignments and committee roles. For the 2019 compensation, the combination of quantitative and qualitative assessment led to a compensation factor of 1.00x, based also on a moderate underperformance on performance fee-weighted investment volumes and an outperformance on leadership and strategic direction (e.g. driving "ownership excellence" programs, fostering the firm's approach to entrepreneurial governance across portfolio companies). As such, the overall amount of the LTI pool for executive members of the Board was similar to the amount granted in 2018. Also individual LTI grants were set at the level of the previous year based on the achieved objectives of the executive Board members.

Due to their already significant shareholding in the firm, executive members of the Board were granted their LTI entirely in MPP rights.

In 2019, the Board amended the compensation framework for **independent Board members** and proposed a more detailed module-based approach to compensation. This will largely be determined by the business assignments carried out and the time each member allocates to Board committee responsibilities and their additional contribution to the firm's business beyond their committee responsibilities. The compensation framework for independent Board members is outlined in the table below. Independent Board members are each paid 50% in cash and 50% in (restricted) options delivered in one installment in the current board period. They did not receive any LTI and pension benefits.

Exhibit 12: Compensation framework for independent Board members

	Description	Time allocation/ remuneration
Board membership	Regular Board work, including offsites, client AGM and other Board-related work.	Est. time allocation: ~10+% Compensation: CHF 0.10 million
Chair/ member* (NCC, IOC, COC) Member (RAC, SC)	Additional Board meetings together with preparation of meeting materials, additional meetings and regular calls as well as team interaction.	Est. time allocation: ~5+% Compensation: CHF +0.05 million (for each assignment)
Chair (RAC)	Official RAC meetings and ~10+ (mainly internal) meetings and international traveling	Est. time allocation: ~10+% Compensation: CHF +0.10 million
Special assignments	Value creation and other PG-related initiatives	Compensation: CHF +0.10 million (for each additional ~10%)

*The Strategy Committee (SC) and the Client Oversight Committee (COC) are not expected to be led by Independent Board members.

Consistent with industry standards, Board members may also invest into Partners Group investment programs on a no management fee and no performance fee basis. Any such discounted fees granted to members of the Board of Directors for investments made alongside investors in the firm's closed-ended investment programs will be disclosed in the compensation report (see section 3.3).

Compensation Report

5.2. Executive Chairman of the Board

The Chairman's role 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 focus on strategic projects and drives forward business and corporate development (through his engagement as chair of the Strategy Committee). Moreover, he 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 is a member of the board of directors of the firm's portfolio company Hearthside Food Solutions and 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 (2018: CHF 0.30 million). He was assessed by the Nomination & Compensation Committee and met his Board-level performance objectives outlined in Exhibit 2. Based on his achievements in 2019, he received the same compensation factor as the Executive Committee (1.0x). The Chairman therefore was granted LTIs amounting to CHF 1.50 million (2018: CHF 1.50 million), entirely granted in MPP. This brings his total compensation to CHF 1.9 million (including pension benefits as outlined in Exhibit 13).

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. Each is a founding partner of the firm and dedicates a substantial amount of his time to the firm. Each of them also plays an instrumental role in determining the firm's business and corporate strategy (via the Strategy Committee), in assessing the quality and consistency of decision processes, the investment performance achieved, the realization of the projected appreciation on individual investments, and the investment risks incurred (via the Investment Oversight Committee), and/or in driving forward major client relationships (via the Client Oversight Committee). All executive members of the Board hold various boards seats in Partners Group's lead/joint-lead portfolio companies.

The Nomination & Compensation Committee assesses their contribution to each Board-level 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 (2018: CHF 0.30 million). With regards to their LTI allocation, each member met the expectations of the Nomination & Compensation Committee on all Board committees and were each awarded an LTI grant of CHF 1.00 million (2018: CHF 1.00 million), entirely granted in MPP. This brings their total compensation to CHF 1.4 million (including pension benefits as outlined in Exhibit 13).

5.4. Independent members of the Board

The independent Board members who focus on their Board- and committee-related mandates at Partners Group are **Grace del Rosario-Castaño**, **Michelle Felman**, **Dr. Martin Strobel**, **Dr. Eric Strutz** and **Patrik Ward**. Independent Board members spend a significant amount of time contributing to several strategic board-level initiatives. They have many formal and informal interactions with management and employees across the firm on an extensive range of matters and projects (e.g. key strategic growth projects, key client-related matters, legal, compliance, audit, promotion considerations, leadership development etc.). Independent Board members are each paid 50% in cash and 50% in (restricted) options and do not receive any LTIs or pension benefits. Select independent Board members hold boards seats in Partners Group's lead/joint-lead portfolio companies (see detailed overview in Partners Group's Corporate Governance Report 2019).

Dr. Eric Strutz acted as Vice Chairman and Lead Independent Director and was paid an annual base Board fee of CHF 0.10 million. He additionally received CHF 0.10 million for chairing the Risk & Audit Committee. This brings his total compensation to CHF 0.21 million (including base fee and other compensation as outlined in Exhibit 13).

Grace del Rosario-Castaño was paid an annual base Board fee of CHF 0.10 million. She additionally received CHF 0.05 million for chairing the Nomination & Compensation Committee and CHF 0.05 million for being a member of the Investment Oversight Committee. Furthermore, she was entitled to CHF 0.05 million (~5% additional time allocation) for her special leadership and corporate development assignments in Asia, in particular in the firm's main offices in Manila and Singapore, and her work on the local board of Partners Group's Manila entity. This brings her total compensation to CHF 0.26 million (including base fee and other compensation as outlined in Exhibit 13).

Compensation Report

Michelle Felman was paid an annual base Board fee of CHF 0.10 million. She additionally received CHF 0.05 million for chairing the Investment Oversight Committee and CHF 0.05 million each for being a member of the Nomination & Compensation Committee and the Risk & Audit Committee. This brings her total compensation to CHF 0.26 million (including base fee and other compensation as outlined in Exhibit 13).

Dr. Martin Strobel was paid an annual base Board fee of CHF 0.10 million. He additionally received CHF 0.05 million for being a member of the Strategy Committee, CHF 0.05 million for his contribution in the Risk & Audit Committee and CHF 0.05 million for being a member of the Nomination & Compensation Committee. Furthermore, he devoted ~10% additional time to Partners Group providing guidance on operational excellence matters globally. In this special assignment, Martin Strobel advises, amongst others, the Technology Steering Committee and the firm's "operational excellence" program. He received another CHF 0.10 million for this special assignment. This brings his total compensation to CHF 0.36 million (including base fee and other compensation as outlined in Exhibit 13).

Patrick Ward was paid an annual base Board fee of CHF 0.10 million. He additionally received CHF 0.05 million for being a member of the Client Oversight Committee. Further, he supported the firm with a special assignment by driving forward the corporate development in the UK and building out client relationships in the UK and Middle East in his capacity as Chairman UK and Middle East. He received CHF 0.30 million for this assignment (~30% additional time allocation). He was also entitled to CHF 0.10 million for his special assignment on the local board of Partners Group's UK entity (~10% additional time allocation). This brings his total compensation to CHF 0.57 million (including base fee and other compensation as outlined in Exhibit 13).

5.5. Comply or explain: options as part of Board fees for independent directors

Long-term option plans with a five-year selling and exercise restriction

Independent Board members receive a part of their compensation in long-term options. Given the fact that independent Board members are elected on a yearly basis, the options vest at grant date but have a five-year selling and exercise restriction. The long-term nature of annual grants serves as a guarantee that no speculative orientation arises from the incentive system.

Because of this five-year selling and exercise restriction and the fact that grants are made annually, the Nomination & Compensation Committee fundamentally believes that this does not incentivize any asymmetric short- or mid-term decision making for independent Board members in any given year. Neither does it hinder their independent judgement, nor incentivize behaviors that could inhibit the long-term sustainability and success of Partners Group.

Speculative decision-making should not be rewarded

The Nomination & Compensation Committee favors this plan over a traditional (restricted) stock allocation, as it fundamentally believes that speculative decision-making that destructs long-term shareholder value should not be rewarded. With a traditional stock allocation, unlike shareholders who have to buy shares in the market and who would lose money if the share price performs negatively, Board members who are awarded shares for a service, which is expected to always have a positive value, would be paid even if the stock underperforms.

Conversely, if independent Board members are paid in stock-options, in the best-case scenario – and in line with the interests of shareholders – they participate disproportionately in any share price increase. However, there is also a risk that they never receive any payout from their rights; if the share price remains below the options' strike price, their payoff is zero. In our entrepreneurial environment, this asymmetric payout structure is desired and has proven to be successful.

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Industry context

In line with best practice in the private markets industry, we expect all of our portfolio company directors to actively participate in developing value-enhancing strategies. True to the predominant view in private equity that there must be meaningful downside risk as well as a meaningful upside potential, independent members of the Board are typically expected to invest a relevant portion of their own net worth into the company alongside the private equity programs. In order to encourage engagement in value creation, incentive schemes may allow for significant upside through options – but only if independent Board members materially share the downside risk.

While it is not possible to fully match the private markets approach in a public markets context, the Nomination & Compensation Committee wishes to benefit directionally from this model, which has proven to be efficient, effective and a means to reward success since Partners Group's foundation as a private markets investment manager.

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 2019, 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 2018 and 2019.

5.8. AGM 2020: Board compensation approvals

The Board will ask shareholders at their annual meeting for their approval of the following proposals below.⁹

- The Board of Directors applies for the **retrospective approval of an LTI compensation**¹⁰ of CHF 4.50 million for the Board of Directors for the period from the annual shareholders' meeting in 2019 until the annual shareholders' meeting in 2020 (previous period: CHF 4.50 million).
- The Board of Directors applies for the **retrospective approval of a total technical non-financial income** of CHF 5.69 million stemming from preferential terms under the firm's global employee commitment plan for the Board of Directors for the period from the annual shareholders' meeting in 2019 until the annual shareholders' meeting in 2020 (previous period: CHF 0.00 million). The non-financial benefits stemming from these preferential terms are explained in detail in section 3.3.
- The Board of Directors applies for the **prospective approval of a maximum total compensation (excluding LTI)**¹¹ of CHF 3.00 million for the Board of Directors for the period until the next annual shareholders' meeting in 2021.

⁹ The final proposals will be outlined in the invitation sent to shareholders for the AGM to be held on 13 May 2020.

¹⁰ Excludes social security payments; includes only Management Performance Plan (MPP) amounting to CHF 4.5 million.

¹¹ Excludes social security payments; includes cash base salary, pensions and other benefits.

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Exhibit 13: Board compensation for the full-year 2019 (audited)

In thousands of Swiss francs						2019
	Cash	Other ¹⁾	Subtotal cash compensation	Shares / options	LTI (MPP) ³⁾	Total ^{5),7)}
Steffen Meister, Executive Chairman	300	55	355	-	1'500	1'855
Dr. Eric Strutz, Vice Chairman	100	8	108	100 ⁴⁾	-	208
Dr. Marcel Erni	300	55	355	-	1'000	1'355
Michelle Felman	125	10	135	125 ⁴⁾	-	260
Alfred Gantner	300	65	365	-	1'000	1'365
Grace del Rosario-Castaño	125	10	135	125 ⁴⁾	-	260
Dr. Martin Strobel	175	14	189	175 ⁴⁾	-	364
Patrick Ward	275	20	295	275 ⁴⁾	-	570
Urs Wietlisbach	300	61	361	-	1'000	1'361
Total Board of Directors	2'000	298	2'298	800	4'500	7'598
Dr. Charles Dallara, former member ⁶⁾	195	89	284	84 ²⁾	-	368
Dr. Peter Wuffli, former member ⁶⁾	75	6	81	-	-	81
Total Board of Directors incl. former members	2'270	393	2'663	884	4'500	8'047

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 und Urs Wietlisbach. Patrick Ward received UK national insurance payments amounting to CHF 7'246. The remaining payments to the following members of the Board exclusively represent social security costs in relation to their compensation: Michelle Felman, Grace del Rosario-Castano, Dr. Martin Strobel, Dr. Eric Strutz and Patrick Ward.

2) Shares: Dr. Charles Dallara was allocated 115 PGH shares in the value of CHF 732 per share on 15 May 2019.

3) Fair value of Management Performance Plan (MPP) as outlined in section A.1.

4) Options: each option has a strike price of CHF 807.60 and vests immediately. The selling restricting is 5 years. The number of options allocated to each Board member is as follows: Michelle Felman (3'264 options), Grace del Rosario-Castano (3'264 options), Eric Strutz (2'611 options) Dr. Martin Strobel (4'570 options) and Patrick Ward (7'181 options). For further information on the fair value of options and shares granted in 2019, please see consolidated financial statement under 4.3.

5) Figures above exclude discounted fees for investments made alongside investors in Partners Group's investment programs under the firm's Employee Commitment Program. Including these accrued but not yet paid items the total compensation for the entire Board of Directors amounts to CHF 13'734 thousand, including CHF 5'687 thousand for discounted fees. The total fee discounts received by the Board of Directors are listed below:

- Steffen Meister received a technical non-financial income stemming from fee discounts amounting to CHF 34 thousand
- Dr. Marcel Erni received a technical non-financial income stemming from fee discounts amounting to CHF 1'568 thousand
- Alfred Gantner received a technical non-financial income stemming from fee discounts amounting to CHF 2'511 thousand
- Grace del Rosario-Castaño received a technical non-financial income stemming from fee discounts amounting to CHF 0.5 thousand
- Dr. Martin Strobel received a technical non-financial income stemming from fee discounts amounting to CHF 2 thousand
- Urs Wietlisbach received a technical non-financial income stemming from fee discounts amounting to CHF 1'555 thousand
- Dr. Peter Wuffli received a technical non-financial income stemming from fee discounts amounting to CHF 16 thousand

6) Board member until the Annual General Meeting of shareholders on 15 May 2019.

7) Total compensation of the Board, excluding LTIs and social security costs represents CHF 3.0 million and lies within the approved compensation budget of CHF 3.25 million at the 2019 AGM of shareholders in May.

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Exhibit 14: 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	LTI (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 und 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-Castaño, 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-Castaño (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.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.

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6. Appendix

A.1. LTIs

2019 changes to the MPP

In 2019, the Nomination & Compensation Committee has implemented adjustments to its parameters to further simplify the pay-for-performance link by aligning it more strongly to the development of the share price:

- **Previously (100% of LTI pool):** the entire LTI pool was allocated via two kinds of MPP rights. One was measured based on an increase of the share price over a period of five years (50% of the grant value) and the other on a relative outperformance over a benchmark index¹² over a period of five years (50% of the grant value). The payout depends on the actual performance fees generated from the particular year in which MPP rights were granted.
- **Going forward (100% of LTI pool):** going forward, the intrinsic value of MPP will only be measured based on an increase of the share price over a period of five years. The payout remains dependent on the actual performance fees that the firm generated from the particular year in which MPP rights were granted. MPP will no longer be measured on a relative outperformance over a benchmark index. The relative outperformance right was replaced by restricted shares. Around two thirds of the LTI grant value was granted in restricted shares and around one third in MPP rights.

The 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 a positive development of the share price of Partners Group Holding AG (i.e. price return on PGHN). A negative development of the share price results in no payout.

¹² At the time, the Nomination & Compensation Committee believed that the S&P Listed Private Equity Index (Ticker: SPLPEQTY) was the closest industry benchmark and that it therefore represented the best proxy to measure Partners Group's relative performance within the private markets industry. The calculation of the intrinsic value of the 2017 and 2018 LTI grants after the initial grant (grant date + 5 years) related to absolute shareholder return as well as to a total return outperformance against the benchmark.

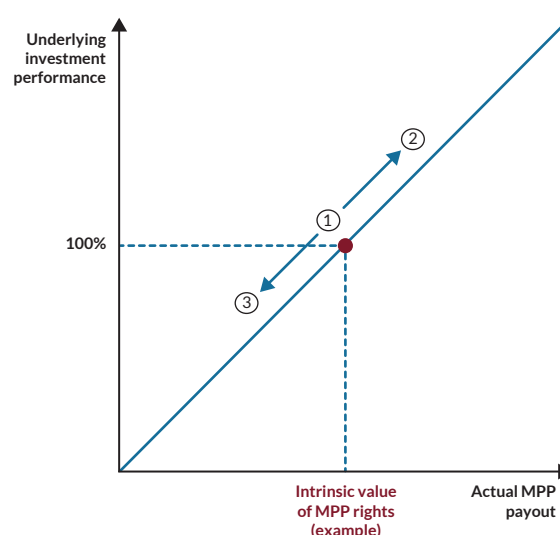
The intrinsic value of these MPP rights will be measured five years after the grant date and cannot exceed 10x the grant fair value. We believe that measuring performance over an extended five-year period is consistent with the long-term orientation of the firm's business.

Component 2: performance fee achievement (year 5 to 14)

While component 1 focuses on the price return of the share in order to determine an intrinsic value, component 2 focuses entirely on how the intrinsic value 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 depends on the actual performance fees that the firm is able to generate from its 2019 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 15). 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 15), or lower than the originally anticipated nominal amount in the case of lower investment performance ("3" in Exhibit 15). In the worst-case scenario, the amount can be zero, irrespective of the intrinsic value determined through component 1.

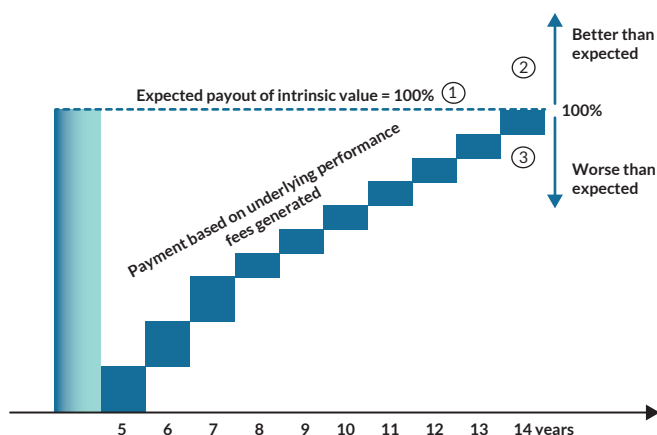
Exhibit 15: Illustration of actual MPP payout based on underlying investment performance



Compensation Report

- Timing:** the MPP payout occurs as the performance fees of the underlying investment vintage materialize, as illustrated in Exhibit 16. 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 2019 investment year pay out 15% of its anticipated total payout (100%) in 2024, we would pay out 15% of the intrinsic value of MPP rights determined in component 1 to plan participants in the form of restricted Partners Group shares in 2024.

Exhibit 16: Illustration of actual MPP payout based on underlying investment performance



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.

Vesting rules in case of 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.

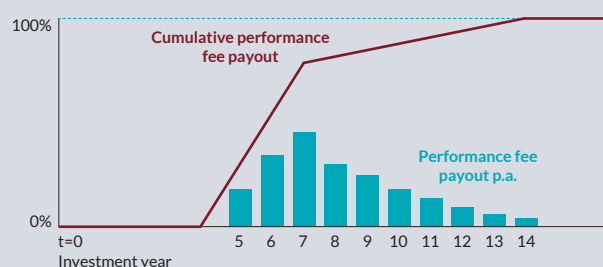
The Nomination & Compensation Committee may use its discretion to make further adjustments to the rules outlined above on a case-by-case basis in order to achieve the best result for both the business and the employee coming up to retirement.

Illustrative example: performance fee payout structure for the 2019 investment year

Future potential performance fees will depend on investments made between Q4 2018 and Q3 2019 ("2019 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 17.

Exhibit 17: Possible payout pattern of performance fees under MPP



Compensation Report

A.2. Compensation governance

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).

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.

Committee members

As of 31 December 2019, the members of the Nomination & Compensation Committee were Grace del Rosario-Castaño (Chair), Michelle Felman and Dr. Martin Strobel. According to the independence criteria outlined in our Corporate Governance Report (section 3), Grace del Rosario-Castaño, Michelle Felman and Dr. Martin Strobel are independent Board members. The members were elected by shareholders for a one-year term with the possibility of re-election.

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 2019, 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 several informal meetings throughout the year and holds two decision meetings in the second half of the year:

- In its first decision meeting (Q3), the Nomination & Compensation Committee confirms the budget allocations for short term cash payments and LTIs (MPP and EPP). During the meeting, the committee defines guidelines for the allocation of the various compensation pools.
- In its second decision 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 18. Partner- and Managing Director-level promotions and compensation are ratified individually.

A.3. Review: binding budgets 2014-2018 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 2019, the actual payout to current and former executive Committee member or to executive members of the Board has never exceeded the approved budgets between 2014 and 2018.

Compensation Report

Exhibit 18: 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 & Compensation Committee (NCC) members, the Board member concerned does not participate in the recommendation involving his or her own compensation.

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 2019. 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 10 to 11 on pages 135 and 136 as well as sections 5.6 to 5.7 and exhibits 13 and 14 on pages 140 to 142 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 2019 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

Christoph Hochuli
Licensed Audit Expert

Zurich, 4 March 2020

KPMG AG, Raffelstrasse 28, PO Box, CH-8045 Zurich

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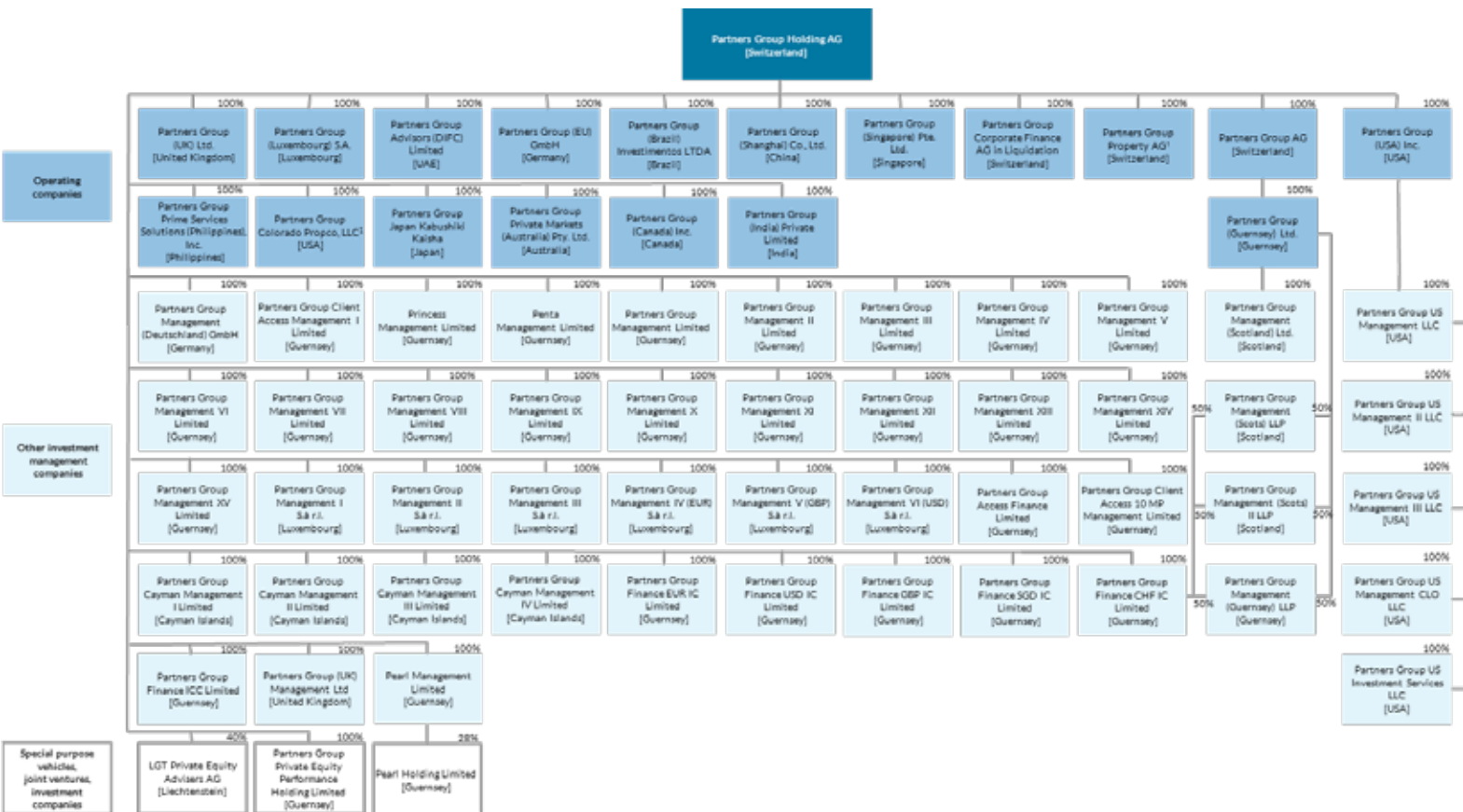
Corporate Governance Report

Partners Group has entities in various jurisdictions regulated by, including but not limited to, the Swiss Financial Market Supervisory Authority (FINMA), the U.S. Securities and Exchange Commission (SEC), the United Kingdom Financial Conduct Authority (FCA), the Monetary Authority of Singapore (MAS), the Commission de Surveillance du Secteur Financier (CSSF) and the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), which uphold the requirements that these regulations imply. 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 (including its annex)” issued by the SIX Exchange Regulation and also takes into account the “Swiss Code of Best Practice for Corporate Governance” issued by economiesuisse.

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. Furthermore, the board of directors of Partners Group Holding AG shall be referred to as “Board” or “Board of Directors”.



1) Formed for the purpose of purchasing, construction, maintenance or management of land and property (non-investment related). As of 19 February 2020 (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, Luxembourg, Germany, the United Kingdom, Guernsey, Singapore and other jurisdictions. The chart on the previous page provides an overview of the group structure as of 19 February 2020.

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 2019 was CHF 23.7 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. For more detailed information on the non-listed operating subsidiaries of the group, including principal activity, place of incorporation, registered office and ownership interests, please see section 17 of the notes to the consolidated financial statements in the Annual Report 2019.

1.2. Significant shareholders

Partners Group has the following significant shareholders holding over 3% of the shares and voting rights of Partners Group Holding AG as of 3 March 2020.

The founding partners and largest shareholders of Partners Group Holding AG, Dr. Marcel Erni and Messrs. Alfred Gantner and Urs Wietlisbach (the "Founding Partners"), each hold 2'673'659 shares in Partners Group Holding AG, corresponding to 10.01% each of the total share capital of Partners Group Holding AG.

On 3 December 2015, Dr. Marcel Erni and Messrs. Alfred Gantner and Urs Wietlisbach entered into a five-year derivative transaction plan with Morgan Stanley & Co. International plc,

each for up to 4.12% of Partners Group Holding AG's total share capital (the "Derivative Transaction Plan"). The Derivative Transaction Plan involves collars, which include the purchasing of put and the writing of call options (each a "Derivative Transaction"). Each Derivative Transaction expires on 17 June 2021, subject to early termination, including optional early termination by the Founding Partners. In order to coordinate the exercise of their Derivative Transactions, the Founding Partners have formed a group for their total derivative transaction positions of 12.37% (4.12% each) of the total share capital.

On 20 February 2017, the Founding Partners extended the Derivative Transaction Plan each by another 0.87% of Partners Group Holding AG's total share capital (each an "Extension"). Each Extension involves another collar that also expires on 17 June 2021, subject to early termination, including optional early termination by the three Founding Partners. Neither the Derivative Transaction Plan nor the Extension is intended to change the size of the Founding Partners' stake in Partners Group Holding AG until the maturity of the collars.

On 3 March 2020, 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 4'056'081 shares, corresponding to 15.19% of the total share capital. Of these shares, 4'004'100 shares, corresponding to 14.99% of the total share capital, relate to the Derivate Transaction Plan and Extension with the Founding Partners described above.

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.

As of 31 December 2019, Partners Group held 278'645 treasury shares, corresponding to 1.04% 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, divided into 26'700'000 fully paid-in registered shares with a nominal value of CHF 0.01 each.

2.2. Authorized and conditional share capital

As of 31 December 2019, Partners Group has no authorized share capital.

As of 31 December 2019, the following conditional share capital is available to Partners Group's Board of Directors: a maximum amount of CHF 40'050 through the issuance of no more than 4'005'000 registered shares, with restricted transferability, that are to be fully paid-in and that have a nominal value of CHF 0.01 each.

The right to subscribe to new shares as part of the conditional share capital increase is granted to members of the Board of Directors and employees of Partners Group through the exercise of option rights (the "Beneficiaries"). Subscription and pre-emptive rights of shareholders are excluded for this conditional capital increase in favor of the Beneficiaries. The Board of Directors will determine all details of the terms of issue, such as the amount of 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 below.

2.3. Changes in capital

No changes in share 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 in accordance with our articles of association (available at <http://www.partnersgroup.com/articlesofassociation>). The shares have been issued in the form of book-entry securities. Shareholders do not have the right to ask for printing, emission or delivery of share certificates. Shareholders may, however, request at any time that Partners Group issues an attestation of their stock holding.

All shares have equal rights. Each share carries one vote at shareholders' meetings. 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. All shares are entitled to full dividend payments.

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. Transfer of shares, restrictions on transferability and nominee registration

Share transfers, as well as the establishing of a usufruct (each hereafter the "Share Transfer"), require the approval of the Board of Directors of Partners Group Holding AG. A Share Transfer may only be refused if the Share Transfer would cause the shareholder to reach a shareholding exceeding 10% of the total nominal share capital of Partners Group Holding AG or if the shareholder does not expressly declare the acquisition in their own name. Approval for Share Transfers due to inheritance or matrimonial property law may not be refused.

The Board of Directors may grant exceptions to this rule in relation to the trading of shares, for example the recording of persons holding shares in the name of third parties. Nominees may be entered in the share register with voting rights for a maximum of 5% of the total nominal share capital and may be allowed to exceed this limit if they disclose the names, addresses and shareholdings of the persons for account of whom they are holding the shares. The Board of Directors concludes agreements with such Nominees in relation to disclosure requirements, representation of shares and exercise of voting rights.

Share Transfers approved based on false representations of the transferee may be revoked and the shareholder deleted from the share register. A Share Transfer is deemed to have been approved if it has not been declined within 20 days.

Amendments to the applicable transfer restrictions regime requires shareholder approval with a quorum of at least two-thirds of the represented votes and the absolute majority of the represented nominal share capital.

During the financial year 2019, no exceptions to the limitations on transferability and nominee registration were granted.

For more details, please see articles 5 and 6 of our articles of association (available at <http://www.partnersgroup.com/articlesofassociation>).

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 (ISIN: CH0361532895). The bond was issued with a seven-year term and a coupon of 0.15% and matures on 7 June 2024. On 21 June 2019, Partners Group issued its second corporate bond, raising CHF 500 million through a fixed-rate senior unsecured CHF-denominated issue (ISIN: CH0419041287). The bond was issued with an eight-year term and a coupon of 0.40% and matures on 21 June 2027. Please see section 13 of the notes to the consolidated financial statements in the Annual Report 2019 for comprehensive information on the bonds 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 2019 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 2019, the Board of Directors consists of nine members. All members were elected at the annual general meeting of shareholders ("Annual General Meeting") 2019 for a one-year tenure with the possibility of re-election.

The table below shows the current composition of the Board of Directors and Committee membership (for further details and allocation of tasks see section 3.5 below):

Name	Independent Director	Strategy Committee	Investment Oversight Committee	Client Oversight Committee	Risk & Audit Committee	Nomination & Compensation Committee
Steffen Meister, Chairman						
Dr. Eric Strutz, Vice Chairman						
Dr. Marcel Erni						
Michelle Felman ¹⁾						
Alfred Gantner						
Grace del Rosario-Castaño						
Dr. Martin Strobel						
Patrick Ward ¹⁾						
Urs Wietlisbach						
 Member	 Chair	 Lead Independent Director				

Note: next to the committees mentioned above, the Crisis Committee has the following members: Steffen Meister (Chairman), Dr. Eric Strutz and Alfred Gantner.

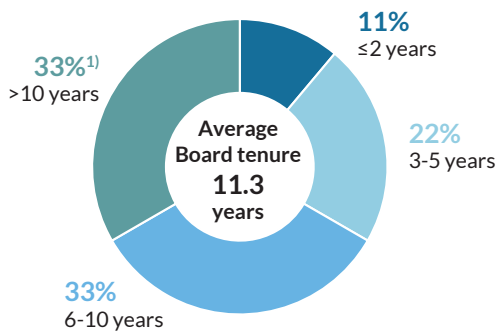
1) Michelle Felman and Patrick Ward will retire from the Board as of 13 May 2020.

Corporate Governance Report

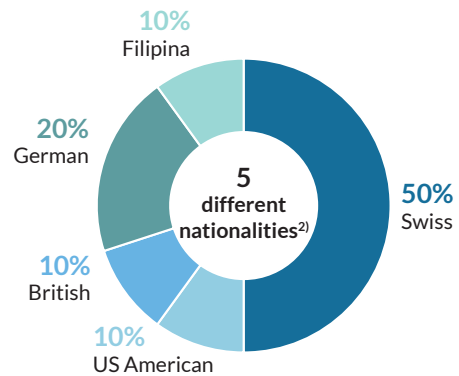
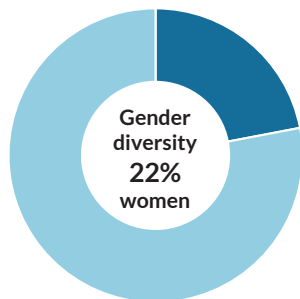
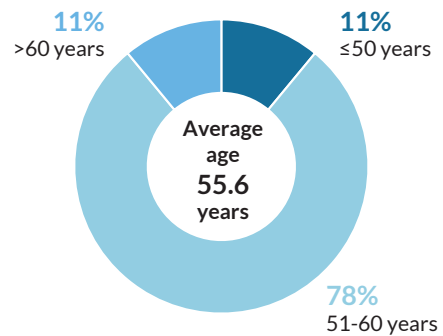
All Board members exhibit:

- 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



1) Including the Founding Partners.



2) Graph takes into account board members with double nationalities.

Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.



■■■■■■■■■■ 9

Private markets industry know-how¹⁾



■■■■■■■■■■ 7

C-level experience²⁾



■■■■■■■■ 5

Risk management experience³⁾



■■■■■■■■■■ 7

Operational experience⁴⁾



■■■■■■■■■■ 9

Broad international exposure⁵⁾



■■■■■■■■■■ 8

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, a 100% privately held subsidiary of Partners Group Holding 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 group, such as group entities in the UK, the US and the Philippines.

The following provides information on the independence criteria for members of the Board of Directors and on the professional history and education of each such member, 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. 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. 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 external independent member of the Board, Partners Group looks for accomplished, distinctive and competent personalities who are respected based on their achievements. Moreover, they are selected based on their ability to 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.

Independent members of the Board may not:

- have a line management function (i.e. positions with substantial decision-making authority) for Partners Group, or any of its affiliates, currently or in the three years prior to their appointment;

- be employed or otherwise affiliated with our statutory auditors, currently or in the three years prior to their appointment;
- have an overall tenure of more than ten years.

Partners Group also applies the following additional criteria to independent Board members, whereby the materiality of such criteria is evaluated on a case-by-case basis:

- limited financial dependence on Partners Group in terms of employment, income and shareholding relative to their individual 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. Eric Strutz (Lead Independent Director), Michelle Felman, Grace del Rosario-Castaño, Dr. Martin Strobel and Patrick Ward.

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 members 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.

Lead Independent Director

Dr. Eric Strutz is the firm's Lead Independent Director. The Lead Independent Director is an independent Board member with the main mandate to coordinate and align the views of independent Board members in case of fundamental disagreements and conflicts with non-independent, executive Board members. The Lead Independent Director is elected by the Board for a term of office of typically one year. Re-election is possible.

Corporate Governance Report

History and education of each member of the Board of Directors, including their responsibilities and 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 Baar-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 part-time assignments at Swiss Reinsurance Co. and the Department of Mathematics of the Swiss Federal Institute of Technology (ETH) in Zurich. He has 24 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: 49

Nationality: Swiss

Board Committees:

Strategy Committee (Chairman),
Client Oversight Committee

Other board mandates:

Crossiety AG (Co-Founder and
Chairman), FAIRTIQ AG

**Board mandates at Partners
Group's portfolio companies*:**
Hearthside Food Solutions

Key qualifications and skills



Private markets industry know-how



C-level experience



Risk management experience



Operational experience



Broad international exposure



Investment experience

*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.

Dr. Eric Strutz



Dr. Eric Strutz is the Vice Chairman and Lead Independent Director 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: 55

Nationality: German

Board Committees:

Risk & Audit Committee
(Chairman)

Other board mandates:

HSBC Bank plc.

HSBC Trinkaus & Burkhardt AG

**Board mandates at Partners
Group's portfolio companies*:**
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

*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

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 Baar-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 28 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: 54

Nationality: Swiss

Board Committees:
Investment Oversight Committee

Other board mandates:
PG3 AG

Board mandates at Partners Group's portfolio companies*:
AMMEGA, Global Blue, GlobalLogic

Key qualifications and skills



Private markets industry know-how



C-level experience



Broad international exposure



Investment experience

*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.

Michelle Felman



Michelle Felman is an independent member of the Board of Directors of Partners Group Holding AG. She is on the investment committee of the Turner-Agassi Charter School Facilities Fund, an investment platform focused on social impact investing in education. She furthermore teaches at Columbia University. 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 29 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: 57

Nationality: US American

Board Committees:
Investment Oversight Committee (Chairwoman), Risk & Audit Committee, Nomination & Compensation Committee

Other board mandates:
Cummings, 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

Corporate Governance Report

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 Baar-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 28 years of industry experience and holds an MBA from the Brigham Young University Marriott School of Management in Utah, USA.

Director since: 1997

Age: 51

Nationality: Swiss

Board Committees:
Strategy Committee,
Investment Oversight
Committee

Other board mandates:

PG3 AG, PG Impact
Investments Foundation
(Board of Trustees)

**Board mandates at Partners
Group's portfolio companies*:**

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

*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. As part of her mandate, she oversees corporate and investment-related environmental, social and governance topics at Board level. 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 graduated magna cum laude with a degree in Bachelor of Science 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: 56

Nationality: Filipina

Board Committees:

Investment Oversight Committee,
Nomination & Compensation Committee (Chairwoman),

Board mandates at Partners Group's portfolio companies*:

BCR Group

Key qualifications and skills



Private markets industry know-how



C-level experience



Risk management experience



Broad international exposure

*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.

Dr. Martin Strobel



Dr. Martin Strobel is an independent member of the Board of Directors of Partners Group Holding AG. Dr. Martin 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. Martin Strobel spent almost three years as an operating partner at private equity firm Advent International.

Director since: 2019

Age: 53

Nationality: German/Swiss

Board Committees:

Strategy Committee, Risk & Audit Committee, Nomination & Compensation Committee

Other board mandates:

RSA Insurance Group plc.

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

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 40 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: 67

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 Baar-Zug. Prior to founding Partners Group, he worked at Goldman Sachs & Co. and Credit Suisse. He has 31 years of industry experience and holds a master's degree in business administration from the University of St. Gallen (HSG), Switzerland.

Director since: 1997

Age: 58

Nationality: Swiss

Board Committees:

Client Oversight Committee (Chairman)

Other board mandates:

Entrepreneur Partners AG, PG Impact Investments AG (President of the Board), PG3 AG, Swiss Startup Factory AG (Advisory Board member)

Board mandates at Partners Group's portfolio companies*:

KR Group (Board observer)

Key qualifications and skills



Private markets industry know-how



Broad international exposure



Investment experience

*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

On 4 March 2020, Partners Group announced changes and nominations to the composition of its Board of Directors and related committees, which will be proposed at the next Annual General Meeting of shareholders on 13 May 2020.

Lisa A. Hook will be nominated for election as a new independent member of the Board and as a member of the Risk & Audit Committee, the Nomination & Compensation Committee and the Investment Oversight Committee. Ms. Hook would bring to the Board a wealth of experience derived from her strong track record of business building as a C-level leader in technology and telecom companies, as well as from her senior role in a private markets investment firm. Next to her committee assignments at Partners Group, she will contribute to strategic Board-level initiatives, with a focus on entrepreneurial governance for the benefit of the firm's portfolio companies, especially in the US.

Separately, two current independent Board members will retire from the Board effective 13 May 2020. Patrick Ward, UK and Middle East Chairman, retires after seven years as an independent Board member; he will remain a senior advisor to the firm with a focus on corporate development in the UK and client relationships in the UK and Middle East. Michelle Felman departs after four years as an independent Board member; she will also remain a senior advisor to Partners Group in conjunction with the firm's real estate business development activities.

3.2. Other activities and vested interests

Please see note 3.1. above.

3.3. Ordinance against excessive compensation in listed joint stock companies – Number of mandates pursuant to the OaEC

In accordance with art. 12 para. 1 of the OaEC and art. 25 of the articles of association, each Board member may hold 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 Partners Group Holding AG or controlling Partners Group Holding AG; 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 Board member may hold a maximum of ten such mandates; mandates in associations, non-profit organizations, foundations, trusts, and employee pension foundations, whereby each Board member may hold a maximum

of ten such mandates; and mandates in legal entities serving the sole purpose of managing their own private assets, whereby each member Board member may hold a maximum of ten such mandates.

The term "mandate" as used in the articles of association includes activities within other superior governing or administrative bodies of legal entities which must be registered in the Swiss commercial register 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 must consist of at least three members. All members, including the Chairman of the Board of Directors, are to be elected individually at the shareholders' meeting, for a term of one year in accordance with the OaEC. 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. The year that each Board member was first appointed is listed in the table at the beginning of this section.

3.5. Internal organizational structure

The Board of Directors has adopted written internal organizational 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.

The Board of Directors has ultimate responsibility for the management of Partners Group. Please see the table at the beginning of this section as well as section 3.1 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 "ROO"; *Organisationsreglement*); in 2019, four formal meetings, which lasted between three and eight hours each, were held. The majority of all Board members was present at all meetings. The meetings of the Board of Directors were also attended by relevant non-members of the Board of

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Directors who hold key functions or responsibilities within the company. 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, the Investment Oversight Committee and the Crisis 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.

Meetings can be called by each committee member or by the Chairperson. In order for resolutions or motions to be validly taken or made, the majority of the committee members must attend the meeting (in person or, if need be, via phone/video conference). All resolutions or motions must be passed unanimously, otherwise the business activities will be re-assigned to the Board. Quorums and motions may also be passed by circular resolutions.

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 is presided over by, and only

consists of, independent Board members. Until 15 May 2019, the members of the RAC were Dr. Eric Strutz (Chair) and Dr. Peter Wuffli. As of 15 May 2019, the members of the RAC are Dr. Eric Strutz (Chair), Michelle Felman and Dr. Martin Strobel. The RAC held four formal meetings in 2019, which each lasted approximately two to four hours. In addition, the external auditors attended all meetings of the RAC in 2019. 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 is presided over by, and only consists of, independent Board members. Until 15 May 2019, the members of the NCC were Grace del Rosario-Castaño (Chair) and Dr. Peter Wuffli. As of 15 May 2019, the members of the NCC are Grace del Rosario-Castaño (Chair), Michelle Felman and Dr. Martin Strobel. The NCC held two formal meetings in 2019, which each lasted approximately two to three hours, to discuss the annual compensation for the Board of Directors and the Executive Committee as well 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.

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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. Until 15 May 2019, the members of the SC were Steffen Meister (Chair), Dr. Marcel Erni, Alfred Gantner, Urs Wietlisbach and Dr. Peter Wuffli. As of 15 May 2019 until 21 November 2019, the members of the SC were Steffen Meister (Chair), Dr. Marcel Erni, Alfred Gantner, Dr. Martin Strobel and Urs Wietlisbach. On 26 August 2019, the SC proposed the new composition of the SC and on 21 November 2019, the Board resolved to constitute the SC as follows: Steffen Meister (Chair), Alfred Gantner and Dr. Martin Strobel. Dr. Marcel Erni and Urs Wietlisbach stepped down from the Strategy Committee as of this date. The SC held six formal meetings in 2019, which each lasted approximately four to six hours. The majority of the meetings were attended by all SC 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 SC 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. Until 15 May 2019, the members of the COC were Urs Wietlisbach (Chair), Dr. Charles Dallara, Steffen Meister and Patrick Ward. As of 15 May 2019, the members of the COC are Urs Wietlisbach (Chair), Steffen Meister and Patrick Ward. The COC held four formal meetings in 2019 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 (GIC) 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 GIC. For any transaction approved by the GIC, each IOC voting member furthermore has the right to request a discussion in the IOC about whether or not to approve the respective transaction, whereby any transaction declined by the IOC shall no longer be pursued. As of 31 December 2019, the members of the IOC are Michelle Felman (Chair), Dr. Marcel Erni, Alfred Gantner and Grace del Rosario-Castaño. Furthermore, Stephan Schäli, Partners Group's CIO, is a non-voting member of the committee. The IOC held two meetings in 2019, which lasted approximately three hours each. The meetings were attended by the majority all members. 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.

Crisis Committee (CC)

The CC shall ensure appropriate organization, communication and decision-making during a crisis. It consists of the Chairperson, the chair of the RAC and another member of the Board, as determined by the Board (typically for a term of office of one year, whereby re-election is possible). Upon the request of the Chairperson and the chair of the RAC, additional persons can be nominated as ad-hoc members (solely Board members) and/or as non-voting advisors to the CC. During a crisis, the CC may, on behalf of the Board, act in accordance with the ROO and the articles of association, insofar as prompt decision-making is advisable, subject to the applicable instructions. "Crisis" shall mean an emerging or suddenly occurring extraordinary event within Partners Group (including its portfolio companies) that entails significant legal, operational,

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financial and/or reputational risks with the realistic probability of substantial damage to Partners Group, which calls for prompt decision-making. The CC convenes only on an ad-hoc basis in case of a Crisis. The CC held no meetings in 2019 as no Crisis occurred during the year.

Formal meeting attendance

The members of the Board are encouraged to attend all meetings of the Board and the committees on which they serve. The formal meetings were complemented by regular and considerable informal interactions with management and employees across the firm.

Formal meeting attendance

	BoD	RAC	NCC	SC	COC	IOC
Meetings held in 2019	4	4	2	6	4	2
Number of members who missed no meetings	9	4	3	5	2	3
Number of members who missed one meeting	2	0	0	0	2	1
Number of members who missed two or more meetings	0	0	0	1	0	0
Meeting attendance	95%	100%	100%	90%	88%	88%

BoD: Board of Directors, **RAC:** Risk & Audit Committee, **NCC:** Nomination & Compensation Committee, **SC:** Strategy Committee, **COC:** Client Oversight Committee, **IOC:** Investment Oversight Committee

Note: the formal meetings attendance table takes into account the changes to the Board composition and its various committees, as described in greater detail on the previous pages.

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 ROO. 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 ROO and particularly by the determined authorities and responsibilities set forth in the ROO 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 ROO;
6. Initiating legal actions and concluding settlements according to the authorities and responsibilities set forth in the ROO;

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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 financial plan (budget) for approval by 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 ROO and the authorities and responsibilities set forth in the ROO;
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/General Counsel 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.

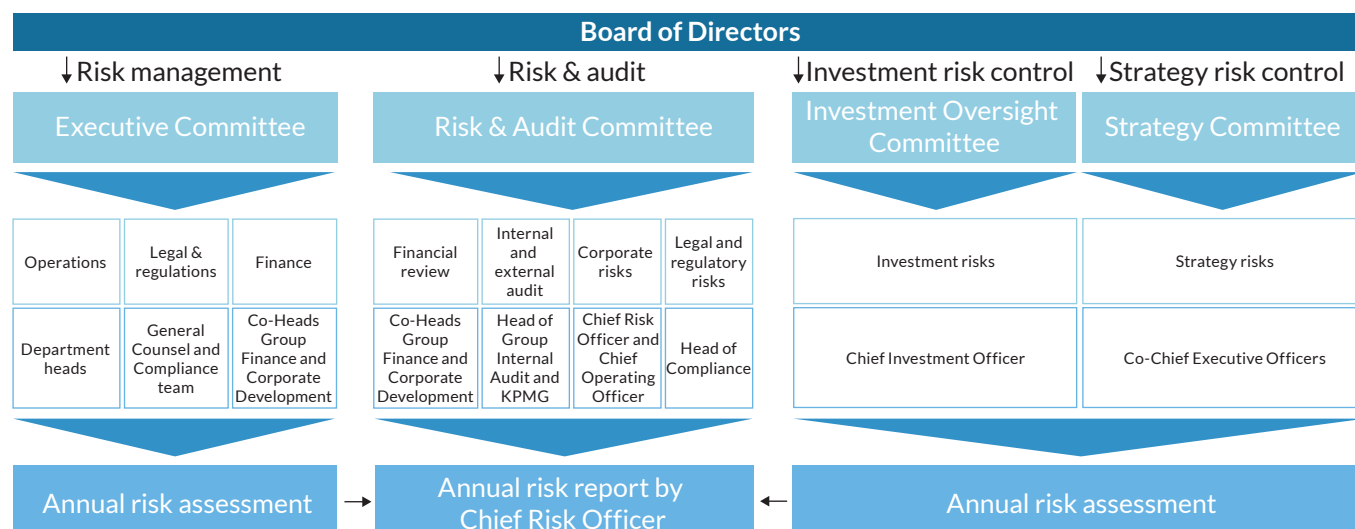
The Executive Committee submits decisions beyond the scope of ordinary management or decisions that carry major implications to the relevant Board Committee or Board of Directors, including (but not limited to) decisions specifically reserved for the relevant Board Committee or Board of Directors.

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



Corporate Governance Report

Partners Group's risk governance framework comprises the following elements:

- Risk management;
- Risk control and audit;
- Investment risk control; 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 distinguishes 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.

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 2019, Partners Group issued an ISAE 3402 Type II controls report with no qualification relating to its investment management services as of year-end 2018, 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 and external auditing;
- corporate risk management (in particular, financial and operational risk management); and
- legal, compliance and regulatory risk management.

The RAC's responsibilities are further defined in the 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. 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 as well as the Co-Chief Executive Officers, the Co-Heads of Group Finance & Corporate Development, the Chief Risk Officer and the Chief Operating Officer/General Counsel. The scope, responsibilities, tasks and priorities of Group Internal Audit

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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. Investment Oversight Committee (IOC)

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 and value creation 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 and reputation, 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 ROO for Partners Group Holding AG.

3.7.1.5. 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 ROO for Partners Group Holding AG.

3.7.1.6. 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 Chief Risk Officer. 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 Chief Risk Officer 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 its function.

The Chief Risk Officer reports to the Executive Committee typically every quarter or on an ad-hoc basis, as necessary. He informs the RAC about their activities and findings at the Committee's regular meetings. In between meetings, the Chairman of the RAC and the Chief Risk Officer liaise to prepare meetings and address specific issues on an ad-hoc basis.

The Chief Risk Officer provides an annual risk report to the Board of Directors comprising the risk assessments of the Executive Committee, the RAC, the IOC and the SC. A copy of this report must be made available to Internal Audit and the external auditors.

3.7.1.7. Conflict resolution

Partners Group strives to avoid situations that result in a conflict of interest. However, in certain situations conflicts cannot be avoided. To assess and resolve conflict of interest matters within the group, a Conflict Resolution Board has been appointed by the group companies. 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).

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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;

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.

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:

- **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 the risks that Partners Group suffers due to a loss directly or indirectly from non-compliance with rules of professional conduct and applicable laws and regulations or inadequate or failed internal processes, human error, systems or external events. Compliance with rules of professional conduct and applicable laws and regulations as well as internal processes and systems is dependent on the awareness and enforcement of such rules and their application in relation to all of Partners Group's business and support activities. To ensure this, Partners Group has issued the internal Operational Internal Control System Directive and, based thereon, has implemented a task control system automatically generating electronic task lists and documenting and monitoring the execution of tasks and obligations necessary for the adherence to applicable rules and obligations, such as the Product Obligations and Procedures system (POPs), the Regulatory Obligations and Procedures system (ROPs) and the Legal Obligations system (LOPs). Moreover, compliance risks are also monitored by Partners Group's Compliance team and regularly reported to the Head of Global Compliance and the General Counsel, who, in turn, reports such risks to the RAC.
- **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.
- **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.

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(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 Chief Risk Officer 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. However, investing alongside clients or providing seed financing for new initiatives is ancillary to Partners Group's business.

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. Our balance sheet positions subject to market risk are monitored on a regular basis and periodically reported on to the RAC by the Chief Risk Officer.

- **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, Investment Committees and Risk Team,
- 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.
- Ongoing risk management: Risk Team

Further details on the purpose and powers of the respective committees are highlighted in the relevant policies and directives.

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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	44	Co-Chief Executive Officer
David Layton	2005	US American	38	Co-Chief Executive Officer and Head Private Equity
Juri Jenkner	2004	German	44	Head Private Infrastructure
Andreas Knecht	2009	Swiss	50	Chief Operating Officer and General Counsel
Marlis Morin	2003	Swiss/Italian	49	Head Client Services
Dr. Michael Studer	2001	Swiss	47	Chief Risk Officer and Head Portfolio Solutions

4.1. Members of the Executive Committee

As also outlined in section 3.6 above, the Board of Directors has delegated the operational management of the company to the extent as permissible by law and the articles of association to the Executive Committee.

The Executive Committee manages day-to-day investment and client activities as well as the 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. He is based in Baar-Zug. Together with David Layton, he leads the Executive Committee and the Global Executive Board. As part of his mandate, André oversees corporate and investment-related environmental,

social and governance topics at Executive Committee level. He has been with Partners Group since 2000 and has 20 years of industry experience. He is a member of the board of the Swiss-American Chamber of Commerce. 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

and member of the Global Investment Committee. Previously, he was the Head of Partners Group's Private Equity business in the Americas and has represented Partners Group on the Board of Directors of several of the firm's portfolio companies, including Universal Services of America, Nobel Learning Communities, MicroPoise Measurement Systems, Cabot Credit Management, Pacific Bells, and Strategic Partners. David has been with Partners Group since 2005 and has 17 years of industry experience. He holds a bachelor's degree in finance from Brigham Young University's Marriott School of Management.



Juri Jenkner

is Head of the Private Infrastructure business department. He is based in Baar-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 was the 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 20 years of industry experience. Prior to joining Partners Group, he worked at Privatbankiers Merck Finck &

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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. He is based in Baar-Zug. He is the Head of the Corporate Operations business department and member of the Executive Committee and the Global Executive Board. He has been

with Partners Group since 2009 and has 24 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 admitted to the Swiss bar.



Marlis Morin

is Head of the Client Services business department. She is based in Singapore. She is a member of the Executive Committee and the Global Executive Board. She has been with Partners Group since 2003 and has 26 years of industry experience, having previously

built and headed the firm's Group Internal Audit function. She also opened Partners Group's services and operations hub in Manila. 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.



Dr. Michael Studer

is the Chief Risk Officer of Partners Group and Head of the Portfolio Solutions business department. He is based in Baar-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 23 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 whenever necessary to support and enable the continued successful growth of its investment platform for the benefit of the firm's clients and shareholders, while ensuring continuity and stability in its core leadership team.

4.2. Other activities and vested interests

Other activities outside of Partners Group, if any, of members of the Executive Committee are listed in section 4.1 for each respective member. 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 hold a maximum of one additional mandate in listed corporations and a maximum of four additional mandates in other legal entities. For mandates exempt from this limitation, see section 3.3 above.

4.4. Management contracts

Partners Group has not entered into any management contracts with companies or individuals not belonging to the group.

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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	49	Chairman Global Investment Committee
Mike Bryant	2016	British	52	Co-Head Private Real Estate
Roberto Cagnati ¹⁾	2004	Swiss/Italian	41	Co-Head Portfolio Solutions
Robert Collins ²⁾	2005	US American	43	Head New York Office
Fredrik Henzler	2012	Swedish	48	Head Industry Value Creation and Head Industrials
Adam Howarth ³⁾	2007	US American	41	Head Portfolio Management Americas
Sergio Jovele ³⁾	2005	Italian	50	Client Solutions Europe
Dr. Kevin Lu	2014	Chinese	46	Chairman Asia and Head Client Solutions Asia
Stefan Näf	2000	Swiss	46	Head Client Solutions
Amelia Räss-Fernandez	2016	Swiss	53	Head Human Resources
Dr. Stephan Schäli	1999	Swiss	51	Chief Investment Officer
Dr. Yves Schneller	2008	Swiss	42	Head Investment Services
Dr. Raymond Schnidrig	2010	Swiss	51	Chief Technology Officer
Martin Scott	2008	Australian	46	Head Client Solutions Australia
Anthony Shontz	2007	US American	41	Co-Head Private Equity Integrated Investments Americas
Marc Weiss	2007	US American	54	Co-Head Private Real Estate

1) Member as of 1 January 2020.

2) Member as of 1 July 2019.

3) Member until 30 June 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 Baar-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).

On 30 June 2019, Adam Howarth, Head of Portfolio Management for the Americas, and Sergio Jovele, Client Solutions Europe, left the Global Executive Board. Robert Collins, Managing Director, Client Solutions Americas, joined the Global Executive Board as of 1 July 2019 and Roberto Cagnati, Co-Head Portfolio Solutions, joined the Global Executive Board as of 1 January 2020.

Members of the Global Executive Board



Bill Berry

is Head of the Private Debt business department, based in Denver. He has 24 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.

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René Biner

is Chairman of the Global Investment Committee at Partners Group. He is based in Baar-Zug. He has been with Partners Group since 1999 and has 26 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 Partners Group's London office, Co-Head of the Private Real Estate business department and Co-Head of the European Private Real Estate business unit. He has 31 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's degree from Cambridge University, UK, and is a qualified chartered surveyor



Roberto Cagnati

is Co-Head of the Portfolio Solutions business department and Co-Head of the Portfolio Management business unit, based in Baar-Zug. He has been with Partners Group since 2004 and has 16 years of industry experience. Prior to joining Partners Group,

Roberto worked at Deutsche Bank Asset Management and Credit Suisse Private Banking in the alternative investment space. He holds a master's degree in economics with a specialization in statistics and financial markets from the University of Konstanz, Germany.



Robert Collins

is Head of Partners Group's New York Office. He leads Partners Group's US distribution practice and is President, Portfolio Manager and Member of the Board of Managers of Partners Group Private Equity (Master Fund), LLC and Partners Group Private Income

Opportunities, LLC. He also chairs Partners Group (USA) Inc.'s Investment Committee. Robert joined the firm in 2005 as a member of the Private Equity investment team and has 21

years of industry experience. Prior to joining Partners Group, he worked at UBS Warburg and Salomon Smith Barney. Robert holds an MBA from the Johnson School at Cornell University, New York, USA where he was a Roy H. Park Leadership Fellow, and a BA from Tulane University, Louisiana, USA, where he majored in economics and history. He is a CFA charterholder.



Fredrik Henzler

is Head of the Industry Value Creation business department and Head of the Industrials Industry Value Creation business unit. He is based in Baar-Zug. 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 25 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.



Dr. Kevin Lu

is Partners Group's Chairman of Asia and Head of Partners Group's Singapore office. He has been with Partners Group since 2014 and has 22 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, based in Baar-Zug. 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 24

years of industry 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.

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Amelia Räss-Fernandez

is Global Head of the Human Resources business unit, based in Baar-Zug. She has 26 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. He is based in Baar-Zug. He has been with Partners Group since 1999 and has 23 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, based in Baar-Zug. He has been with Partners Group since 2008, previously heading the Transaction Services team, and has 15 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 and 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. He is based in Baar-Zug. He has been with Partners Group since 2010. He has 27 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 and Director of Partners Group Australia. He has been with Partners Group since 2008 and has 27 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 Private Equity Integrated Investments Americas. He has been with Partners Group since 2007 and has 18 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 and Co-Head of the Private Real Estate Americas business unit, based in New York. He has been with Partners Group since 2007 and has 33 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.

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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 2019 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 2019. In the Compensation Report 2019, the firm outlines its compensation principles, components and method. The Compensation Report can be found in the Annual Report 2019 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. There were no loans outstanding as of 31 December 2019 for the Board of Directors and the Executive Committee (refer to sections 4.6 and 5.6 in the Compensation Report).

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 2019 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, shareholders may be represented at the shareholders' meeting either by a legal representative who needs not be a shareholder or an 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

The following resolutions of the shareholders' meeting require at least two-thirds of the represented votes and the absolute majority of the represented nominal share value:

- the cases listed in art. 704 para. 1 of the Swiss Code of Obligations, and
- the reversal or amendment of the transfer restrictions (see section 2.6 for details in relation to such restrictions).

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7.3. Convocation of the general meeting of shareholders

The Annual General Meeting of shareholders takes place within six months after the close of the financial year. All registered shareholders receive a written invitation to the Annual General Meeting 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 Annual General Meeting. In 2020, the Annual General Meeting of shareholders is scheduled for 13 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.

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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 and were re-elected at the Annual General Meeting 2019.

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 2019, KPMG AG and other KPMG companies received a total of CHF 1.8 million (2018: CHF 1.6 million) for audit services.

9.3. Additional fees

In addition, KPMG AG and other KPMG companies received CHF 0.1 million (2018: CHF 0.1 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 2019.

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 2019 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.

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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 2020 are as follows

Event	Date
Annual General Meeting of shareholders	13 May 2020
Ex-dividend date	15 May 2020
Dividend record date	18 May 2020
Dividend payment date	19 May 2020
AuM announcement as of 30 June 2020	14 July 2020
Publication of Interim Report as of 30 June 2020	8 September 2020

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 2019 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 2019 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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