Message from the Chairman and the Co-CEOs

Dear clients, business partners and fellow shareholders,

2017 was another successful year for Partners Group. We received total client demand of EUR 13 billion and invested a total of USD 13 billion on behalf of our clients. Revenues increased for the first time to over CHF 1 billion, attributable to substantially higher revenues from management fees and continued solid performance fees. Net profit in 2017 reached a record of CHF 752 million, increasing by 35% year on year.

Christoph Rubeli Co-CEO, **Dr. Peter Wuffli** Chairman of the Board of Directors, **André Frei** Co-CEO

Based on the solid development of the business in all asset classes and regions, the operating result, and our confidence in the sustainability of the firm's growth, Partners Group's Board of Directors will propose a **dividend** of CHF 19.00 per share to its shareholders at the Annual General Meeting on 9 May 2018. This represents a dividend increase of 27% year on year.

To put Partners Group's results into context, 2017 was also a successful year for the private markets industry more broadly. With global interest rates still low on a historical basis and public markets showing signs of increased volatility, the appeal of private markets to institutional investors globally has grown even stronger. Today, almost all large and sophisticated institutional investors have **allocations** to one or more private markets asset classes. In fact, we believe that private markets are a key building block in modern portfolio management, driving investment returns.

As a result, the private markets investment management industry continues its process of **institutionalization**. A key topic in this regard is leadership development and succession planning to ensure organizational stability in line with clients' investment horizons, which often exceed ten years. At Partners Group, this has been a long-term focus of the Board of Directors. The growth of our investment platform requires continuous evaluation of the ideal leadership structure to support the firm's evolving business and corporate needs. Consequently, we announced further adjustments to our organizational structure and global leadership team in mid-2017. These included the streamlining of our Executive Committee and enabled a greater number of our senior partners to focus on their important investment- and client-related responsibilities, while ensuring continuity and stability within our core leadership team.

Among other positive impacts, these adjustments enabled the further build-out of our dedicated **Portfolio Management** team. The team supports our clients by constructing and regularly adjusting diversified private markets mandates that achieve their NAV targets and meet their specific portfolio requirements in line with our evolving relative value investment views. Demand for these portfolio management capabilities has increased as private markets have become an increasingly integral part of clients' portfolios.

While the overall picture for the private markets industry – and Partners Group itself – is highly supportive in terms of client demand, we are more cautious in our **outlook on the investment side**. We observe that many market participants are willing to accept lower expected returns on investments and, as a result, it has become difficult to transact on attractive assets at reasonable prices.

As our industry becomes further institutionalized, leadership development and succession planning are key to organizational stability.

Despite this, we were able to close on several highly attractive **transactions in 2017** on behalf of our clients. Examples of private equity transactions include the acquisition of United States Infrastructure Corporation, a leading provider of underground utility locating services in the US, and the acquisition of Civica, a leading UK-based provider of business-critical software and technology-based outsourcing services

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to public sector organizations and commercial organizations in highly regulated sectors. On the private infrastructure side, in December 2017, we signed an agreement to invest in Borssele III/IV, a 730MW construction-ready offshore wind farm in the Netherlands. Once it is fully operational, Borssele III/IV is expected to generate about 3TWh per annum, enough electricity to power approximately 800'000 households. In private real estate, we agreed to develop over 1'700 residential apartments in the Greater Stockholm area, with one of the towers expected to be among the highest residential buildings in Northern Europe. We also completed the acquisition of 73 Miller Street, an office building in North Sydney, Australia, where the value-added business plan will involve the refurbishment of the property to bring it to Grade-A standard.

Under current market conditions, having a value creation-focused investment process from sourcing through due diligence to ownership is critical to achieve outperformance. The time has long passed when 'buying smart' was enough to ensure an attractive investment outcome, purely from the valuation uplift. We have invested considerable time and capital into building out our value creation abilities in recent years and today have the largest **Industry Value Creation (IVC)** team in the industry focused on the extended middle market. The team's mandate is to work alongside investment teams at all stages of the investment process, assessing and then implementing a bespoke strategy to produce value in each direct investment.

In 2017, our IVC team grew further across all regions and the fruits of their value creation initiatives have become increasingly visible. During the year, the IVC team, together with our investment professionals, was able to increase revenues by 20% and EBITDA by 18% across our **direct private equity portfolio**. At the same time, the different growth strategies at our direct private equity portfolio companies created over 13'000 new jobs. In our direct private real estate portfolio, we launched almost 200 value creation initiatives, were able to achieve net operating income growth of 28%, and created office space for about 3'200 workers with our investments in 2017. Meanwhile, value creation strategies for our direct infrastructure portfolio resulted in a 41% EBITDA increase and 26% average progress in construction (and consequent construction de-risking), with construction budgets being met for all our core assets under construction.

Among the notable successes in private equity in terms of value creation was our active involvement with VAT Group AG, the Swiss-listed global leader in the production of high-end vacuum valves, for which we won Private Equity International's **Operational Excellence Award 2017** in the large cap category. We recently completed our exit from VAT Group AG on behalf of our clients and generated a gross return of 6.0x on the original investment. We also recently agreed to the sale of Trimco International Holdings, a Hong Kong-headquartered provider of labels and brand identification solutions to the apparel sector, generating a 3.4x return on the original investment.

> We have moved confidently into 2018 and see solid demand for our new investment programs and mandates from clients across the globe.

In addition to these successful private equity transactions, we initiated a series of significant exits in 2017 (that materialized in early 2018) from our **direct private infrastructure portfolio**, taking advantage of the attractive selling conditions to capture outsized returns for our clients. These include the sale of our investment in Silicon Ranch Corporation, a leading developer, owner and operator of solar energy facilities in the US; the sale of our investment in the Victorian Comprehensive Cancer Centre, a cancer research, treatment and education centre in Melbourne, Australia; and the sale of our investment in Japan Solar, a 610MW platform of Japanese solar power assets that will generate enough energy to power around 133'000 households once its secured projects become operational, generating a blended gross return of 3.2x on the original investment. Also in private infrastructure, we recently announced the closing of a EUR 3 billion pool of capital for direct private infrastructure investment, a significant increase on the last direct fundraise and a strong endorsement of our approach from clients.

During the year, we saw increased emphasis placed on responsible investment and proactive action on **environmental, social and governance (ESG)** considerations within private markets. All of Partners Group's investments are subject to our Responsible Investment Policy and Methodology with its strict ESG standards. In 2017, we were awarded the highest possible A+ rating for our Responsible Investment Strategy and Governance for a third consecutive year, as well as a first-time A+ rating for our approach to Direct Private Equity from the UN PRI.

Increased emphasis was also placed on the topic of **diversity**. As an equal opportunity employer, Partners Group is committed to ensuring a non-discriminatory environment and to promoting diversity of perspectives. We are transparent about gender

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diversity and acknowledge an imbalance in the ratio of males to females at senior management level. Due to Partners Group's preference for developing homegrown talent where possible, we anticipate that most of tomorrow's female leaders will be developed from among today's junior and mid-level professionals. Today, there are already more female than male employees at junior levels. It will, however, take some time to meaningfully improve our gender balance at management level, although the retention and further development of our female talent is a focus topic for us in 2018 and beyond.

In terms of our **outlook for 2018**, we have moved confidently into the year and see solid demand for our new programs and mandates from clients across the globe. We expect management fees to continue to grow alongside AuM and performance fees to remain within the expected bandwidth of around 20-30% as a proportion of total revenues, assuming that the market remains favorable to exits. Our balance sheet remains solid with CHF 2 billion in shareholders' equity and net liquidity of over CHF 1 billion, leaving us well-equipped to realize the potential of private markets in different economic environments.

We thank our clients and business partners for their continued trust in Partners Group. We also thank our shareholders for their support and commitment. And we are deeply grateful to our colleagues for their intense and thoughtful work, their energy and drive, as well as their loyalty to our firm.

Yours sincerely,

Dr. Peter Wuffli
Chairman of the Board of Directors

André Frei
Co-Chief Executive Officer

Christoph Rubeli
Co-Chief Executive Officer