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

Clients

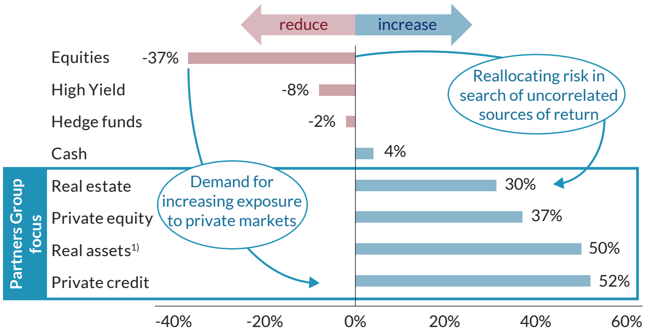
EUR 13.3 billion gross client demand in 2018; **AuM** stands at **EUR 73 billion**.

Structural growth drivers remain intact

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

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

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



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

Continued demand for bespoke solutions

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

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

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

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

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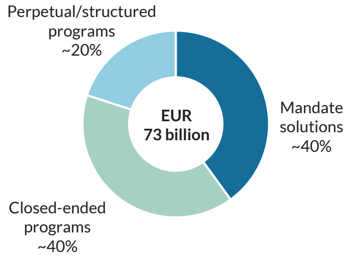
The remaining 20% of our AuM is held in perpetual or structured programs. Essentially, these are open-ended vehicles that have no contractual end but that are subject to potential redemptions.

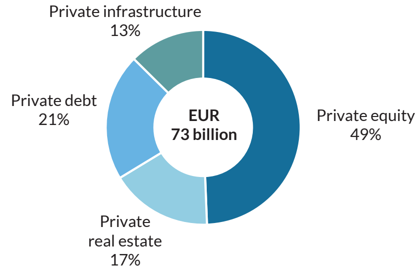
AuM by program structure



Note: as of 31 December 2018.

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

AuM by asset class

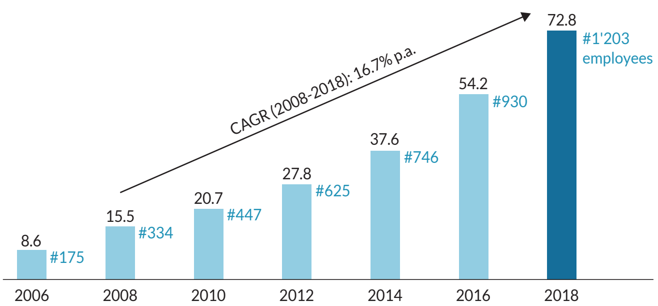


Note: as of 31 December 2018.

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

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

Total assets under management
(in EUR bn)

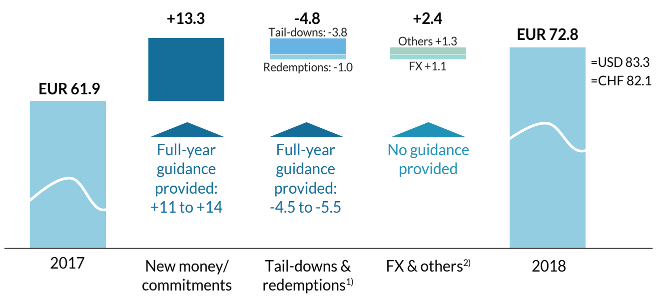


Note: assets under management exclude discontinued public alternative investment activities and divested affiliated companies.

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

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

Total AuM
(in EUR bn)



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

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Client demand across all asset classes

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

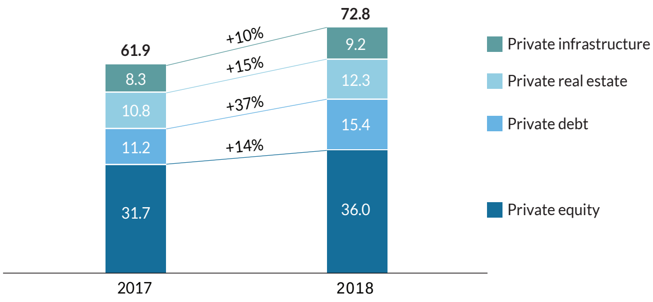
Private equity was the largest contributor to assets raised in 2018, representing 39% of all new commitments (EUR 5.2 billion new commitments). Demand was split across a wide range of different programs and mandates. For instance, one of our long-standing diversified global value strategies attracted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

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

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

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

AuM growth by asset class
(in EUR bn)

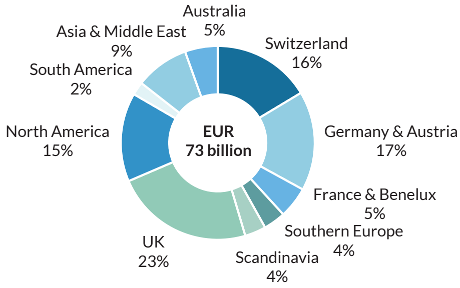


Client demand spread across Europe, North America, Asia-Pacific and emerging markets

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

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

AuM by region



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Client demand from pension funds still major contributor

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

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

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

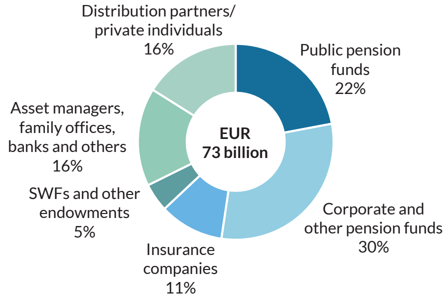
We saw continued demand from **distribution partners/private individuals**, which represented about 14% of client demand in 2018. These types of investors increasingly recognize the benefits of private markets and aim to mirror the allocations of institutional investors in their own investment portfolios.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

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

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

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

AuM by type



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Client outlook

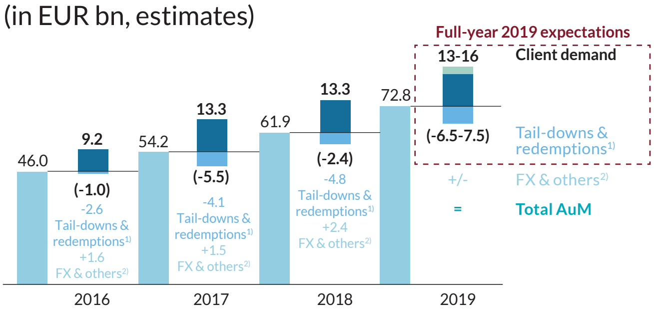
Solid **gross client demand** expected for 2019; new **guidance** of **EUR 13-16 billion**.

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

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

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

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



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

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

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