2019 at a glance – Financials

Financials

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

Key financials

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>AuM as of the end of the year (in USD bn)</td>
<td>83.3</td>
<td>94.1</td>
<td>+13%</td>
</tr>
<tr>
<td>AuM as of 31 December 2019 (in CHF bn)</td>
<td>82.1</td>
<td>91.1</td>
<td>+11%</td>
</tr>
<tr>
<td>Average AuM as of the end of the year (in CHF bn)</td>
<td>77.6</td>
<td>88.4</td>
<td>+14%</td>
</tr>
<tr>
<td>Revenue margin2),3)</td>
<td>1.71%</td>
<td>1.82%</td>
<td></td>
</tr>
<tr>
<td>Attributable to management fee margin4)</td>
<td>76%</td>
<td>71%</td>
<td></td>
</tr>
<tr>
<td>Attributable to performance fee margin</td>
<td>24%</td>
<td>29%</td>
<td></td>
</tr>
<tr>
<td>Revenues (in CHF m)3)</td>
<td>1’326</td>
<td>1’610</td>
<td>+21%</td>
</tr>
<tr>
<td>Management fees (in CHF m)</td>
<td>1’002</td>
<td>1’138</td>
<td>+14%</td>
</tr>
<tr>
<td>Performance fees (in CHF m)</td>
<td>324</td>
<td>473</td>
<td>+46%</td>
</tr>
<tr>
<td>EBIT (in CHF m)5)</td>
<td>865</td>
<td>1’008</td>
<td>+17%</td>
</tr>
<tr>
<td>EBIT margin5)</td>
<td>65%</td>
<td>63%</td>
<td></td>
</tr>
<tr>
<td>Profit (in CHF m)</td>
<td>769</td>
<td>900</td>
<td>+17%</td>
</tr>
</tbody>
</table>

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 including other operating income. 4) Management fees and other revenues, net, and including 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.

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 disproportionally by +30% compared to the 21% increase in regular personnel expenses.
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**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management fees</td>
<td>1’138</td>
<td>1’002</td>
<td>873</td>
</tr>
<tr>
<td>Performance fees</td>
<td>473</td>
<td>324</td>
<td>177</td>
</tr>
<tr>
<td>Other revenues from management services &amp; other operating income</td>
<td>1’326</td>
<td>1’002</td>
<td>806</td>
</tr>
<tr>
<td>Total</td>
<td>1’910</td>
<td>1’326</td>
<td>873</td>
</tr>
</tbody>
</table>

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 2019. **Management fees are contractually recurring**

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 development

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 contribution by number of investment programs and mandates

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.
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 x 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 x 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% x (200 – 100)).

Performance fee model in a closed-ended investment program

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.

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.
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).

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 x 50% = 500; 500 (stress-tested NAV) – 450 (cost of investments Y and Z) = 50 (value gain); 50 (value gain) x 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 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) x 20% = 20 performance fees.
  - Step 2: stress-test on remaining NAV: 800 (unrealized investment Y) x 50% = 400; 400 (stress-tested NAV) + 200 (realized investment Y) – 450 (cost of investment Y and Z) = 150 (value gain); 150 (value gain) x 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) x 20% = 20 performance fees.
  - Step 2: stress-test on remaining NAV: 500 (unrealized investment Y) x 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)

![Revenue margin development chart]

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

<table>
<thead>
<tr>
<th># of professionals</th>
<th>Americas</th>
<th>Europe</th>
<th>APAC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td>+47</td>
<td>+58</td>
<td>+23</td>
</tr>
<tr>
<td>Clients</td>
<td>+7</td>
<td>+16</td>
<td>+13</td>
</tr>
<tr>
<td>Services</td>
<td>+8</td>
<td>+9</td>
<td>+41</td>
</tr>
<tr>
<td>Corporate</td>
<td>+12</td>
<td>+2</td>
<td>+25</td>
</tr>
<tr>
<td><strong>Total (+261)</strong></td>
<td><strong>+74</strong></td>
<td><strong>+85</strong></td>
<td><strong>+102</strong></td>
</tr>
</tbody>
</table>

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)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>+21%</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>1'326</td>
<td></td>
<td>1'610</td>
</tr>
<tr>
<td>Total operating costs, of which</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel expenses</td>
<td>-377</td>
<td>+30%</td>
<td>-490</td>
</tr>
<tr>
<td>Personnel expenses (regular)</td>
<td>-247</td>
<td>+24%</td>
<td>-306</td>
</tr>
<tr>
<td>Personnel expenses (performance-fee-related)</td>
<td>-129</td>
<td>+43%</td>
<td>-185</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>-68</td>
<td>+16%</td>
<td>-79</td>
</tr>
<tr>
<td>Depreciation &amp; amortization1)</td>
<td>-17</td>
<td>+101%</td>
<td>-34</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>865</td>
<td>+17%</td>
<td>1'008</td>
</tr>
<tr>
<td>EBIT margin</td>
<td>65%</td>
<td>-2%-points</td>
<td>63%</td>
</tr>
</tbody>
</table>

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.
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.

**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**

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)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBIT</td>
<td>865</td>
<td>1,008</td>
</tr>
<tr>
<td>Total financial result, of which</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portfolio performance</td>
<td>35</td>
<td>61</td>
</tr>
<tr>
<td>Foreign exchange, hedging &amp; others</td>
<td>-12</td>
<td>-31</td>
</tr>
<tr>
<td>Taxes</td>
<td>-118</td>
<td>-137</td>
</tr>
<tr>
<td>Profit</td>
<td>769</td>
<td>900</td>
</tr>
</tbody>
</table>

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. 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)

<table>
<thead>
<tr>
<th>Investments alongside clients</th>
<th>Assets</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial investments / GP commitment1)</td>
<td>605</td>
<td></td>
</tr>
<tr>
<td>Investments in associates2)</td>
<td>42</td>
<td></td>
</tr>
<tr>
<td>Seed investments3)</td>
<td>61</td>
<td></td>
</tr>
<tr>
<td><strong>Total investments alongside clients from balance sheet</strong></td>
<td><strong>708</strong></td>
<td><strong>1'035</strong></td>
</tr>
</tbody>
</table>

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)

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; cash equivalents</td>
<td>933</td>
</tr>
<tr>
<td>Short-term loans</td>
<td>900</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>799</td>
</tr>
<tr>
<td><strong>Total net liquidity</strong></td>
<td><strong>1'035</strong></td>
</tr>
</tbody>
</table>

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.