2019 at a glance – Investments

Investments

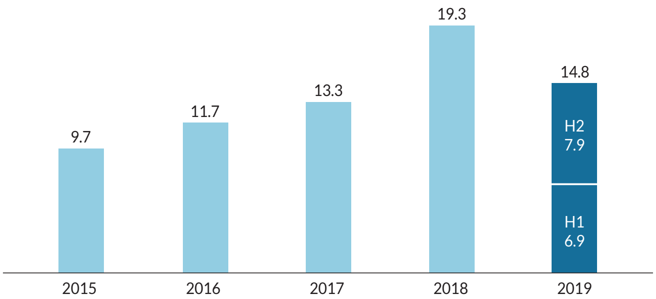
USD 14.8 billion invested on behalf of our clients in attractive and resilient businesses and assets.

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)

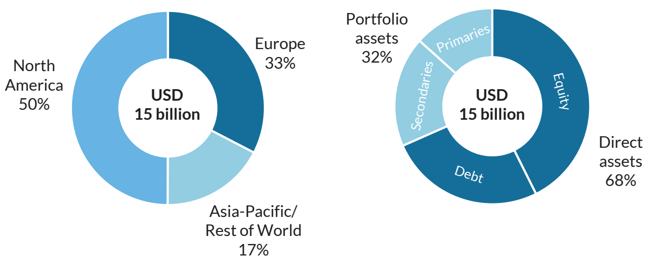


Note: figures include add-on investments but exclude investments executed for short-term loans, cash management purposes and syndication partner investments.

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.

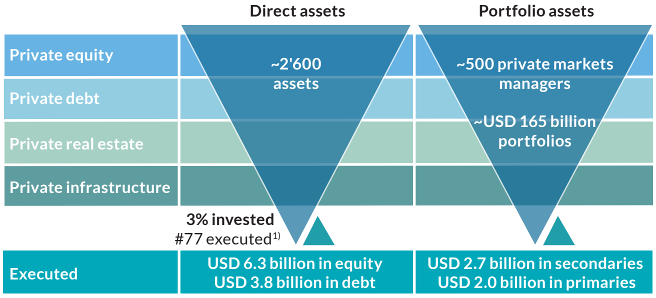
2019 deal flow remained attractive; investment process remained highly selective

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 PRIMERA[1] 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 IRR[2].

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 2019[6]

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 specifically[9].

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 cyclicality, 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.

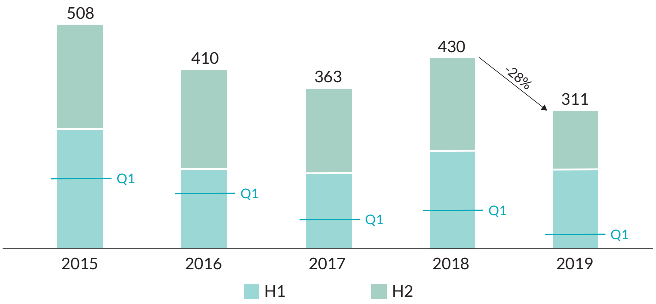
7 Barcelona Activa, Barcelona City Council, 2018.
8 Instituto Nacional de Estadistica, 2018.
9 Barcelona Activa, Barcelona City Council, 2018.

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)

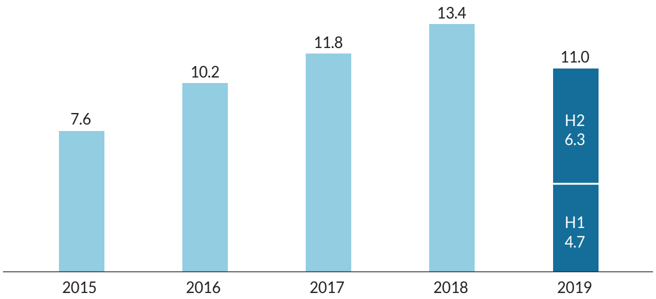


Source: Preqin Quarterly Update, Q3 2019; Preqin Pro, Q4 2019.

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 orginal 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.