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.

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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.

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"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