H1 2019 at a glance - Investments

Investments

USD 6.9 billion invested on behalf of our clients in attractive private markets opportunities.

Investments in H1 2019

The complex global investment ecosystem, characterized by macroeconomic challenges, a temporary pick-up in investor uncertainty at the beginning of the year, intense competition and stretched valuations, persisted in H1 2019. In this increasingly fast-paced market, where investor appetite remains strong, we continue to focus on mapping out the most promising companies and assets early on and fostering relationships that can help to outpace the competition. We believe this is a prerequisite to securing access to leading businesses globally in an ever more competitive environment.

The private equity-backed buyout transaction market has been active in recent quarters. However, according to Preqin data,[1] the first half of the year showed a decline in transaction values. In H1 2019, announced global transaction volumes were worth a total of USD 177 billion. This was 31% lower than announced transaction volumes in H1 2018, which amounted to USD 254 billion.

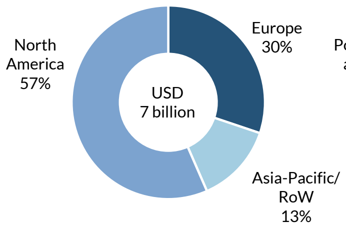
Despite these lower investment volumes in the market, we invested a total of USD 6.9 billion on behalf of our clients across all private markets asset classes in H1 2019. Of this total amount, USD 4.1 billion (60% of total investment volume) was deployed in direct assets, of which USD 2.3 billion was invested as equity in individual businesses and real assets and USD 1.8 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.

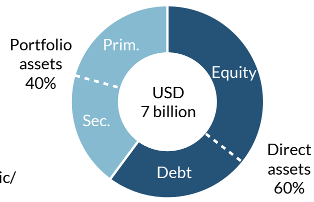
1 Preqin Quarterly Update: Private Equity & Venture Capital, Q2 2019.

To complement our direct assets, we invested USD 2.8 billion (40% of total investment volume) in portfolio assets in H1 2019. These portfolio assets include secondary investments in globally diversified private markets portfolios and select primary commitments to other private markets managers.

Investment activity remained geographically diversified in H1 2019, with 30% of capital invested in Europe, 57% in North America and 13% in Asia-Pacific and emerging markets, reflecting our global reach and scope.

Private markets investments during H1 2019
(based on volumes)





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 actively managed real estate investments.

H1 2019 at a glance - Investments

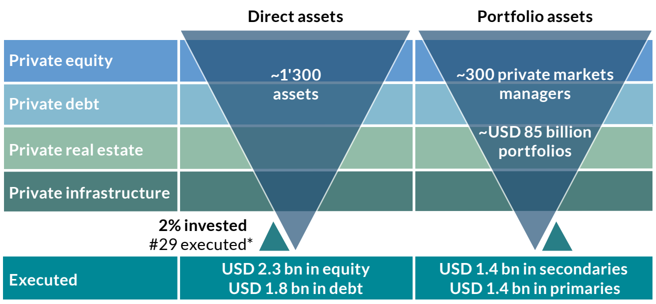
H1 2019 deal flow remained attractive; investment process remained highly selective

Our global platform of over 1'300 professionals across 20 offices in key investment regions, together with our deep sector insights, extensive industry network and our private markets intelligence tool PRIMERA, allow us to maintain both a proprietary sourcing angle and robust due diligence standards.

In H1 2019, we screened around 1'300 potential direct transactions across all private markets asset classes. Of these, we invested in only the most attractive 2%, resulting in 29 transactions completed and a decline rate of 98%. Furthermore, our integrated investment professionals generated approximately USD 85 billion in secondary private markets assets deal flow, investing in less than 2% of this, and screened around 300 fund offerings by leading private markets managers.

Our Thematic Sourcing approach enables us to focus our sourcing efforts on mapping out those businesses and assets that are best positioned to grow regardless of the business cycle. Moreover, with our proactive sourcing strategy, we conduct a significant amount of pre-due diligence to better understand businesses and to develop clear, value creation-focused investment theses long before formal sales processes start. On the one hand, this is highly resource-intensive and may result in resources spent on businesses and assets that may not be up for sale for months and years. On the other hand, it helps us to build a longer-term pipeline by developing hundreds of investment leads in parallel and keeping us focused on the most attractive targets for the ultimate benefits of our clients.

Deal flow H1 2019



*USD 2.3 billion invested in 14 equity investments and USD 1.8 billion invested in 15 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 actively managed real estate investments.

Private markets investments in H1 2019[2]

Private equity

In May 2019, we made a significant equity investment in Confluent Health, one of the largest independent outpatient physical therapy service providers in the US. The company employs over 2'000 people and provides outpatient physical and occupational therapy services across a network of approximately 200 clinics in twelve states as well as occupational health & safety services at over 500 corporate locations. Furthermore, it offers pre-graduate hybrid Doctor of Physical Therapy programs in partnership with leading universities and post-graduate certification, residency, and fellowship programs for physical therapists.

Our Thematic Sourcing efforts identified physical therapy as a highly attractive sub-sector within the healthcare space, which is ripe for expansion and continued consolidation. With the long-term trend of an aging population in the US, people are living longer, but often with chronic conditions that are best addressed through physical therapy rather than riskier and more expensive medical procedures.

Our investment thesis for Confluent Health revolves around building a market leading physical therapy player in a fragmented market. The company is well positioned to lead the industry's next wave of consolidation, supported by a successful acquisition track record, unique therapist pipeline and lead generation for acquisitions through education services and the company's reputation for being a respected operator.

Confluent Health

We will work closely with Confluent Health's management team on a number of strategic and value creation initiatives to support ongoing organic and acquisitive growth. Initiatives will include driving same-site clinic growth, new clinic openings,

2 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.

H1 2019 at a glance - Investments

expansion of M&A partnership opportunities in new and existing markets, additional partnerships with universities, and strategic and technology investments to support scalability.

Private debt

In February 2019, we invested in the acquisition financing of US-based midstream terminaling and storage company TransMontaigne Partners L.P. (TransMontaigne). The investment demonstrates our ability to provide a flexible financing solution to energy and infrastructure companies through a collaborative investment led by both our private infrastructure and private debt teams.

Founded in 2005 in Florida, TransMontaigne has built a strategic network of 51 midstream terminals and distribution assets spanning six key geographic locations. The company has expanded its total storage capacity from approximately 5.5 million barrels in 2005 to more than 38 million barrels today. Its terminals and pipelines provide essential storage and transportation services to its customers, who are distributors and marketers for a wide array of petroleum products. In the midstream sector, continued investment and improvements in the areas of safety and environmental standards are a prerequisite for sustainable operations and TransMontaigne has a strong focus on these investments.

Our debt investment supports the USD 0.5 billion take-private acquisition of TransMontaigne by funds managed and/or advised by energy infrastructure investment manager ArcLight Capital Partners. Furthermore, it allows the company to expand its existing assets and enhances its ability to pursue further growth.

Private infrastructure

In March 2019, we invested in the Greenlink Interconnector (Greenlink), a project to construct a 500MW subsea interconnector between Ireland and Great Britain. Up until our investment, Greenlink has been developed by Element Power, an independent renewable energy developer, which, together with funds managed by Hudson Sustainable Investments, is the other major shareholder in Greenlink.

Greenlink will use a subsea high-voltage direct current cable system to connect the power markets of Ireland and Great Britain, stretching approximately 200km underground and under the sea. The project is considered of critical importance in Europe. It has been awarded "Project of Common Interest" status by the European Commission and granted funding from the EU's Innovation and Networks Executive Agency. Construction is scheduled to commence in 2020 and is expected to be completed by 2023.

Greenlink presents an opportunity to build a core infrastructure asset under a stable, regulated revenue regime, providing downside protection and allowing the project to recover its capital and operating costs. Strategic assets such as Greenlink are underpinned by their significant social benefits. Once completed, Greenlink is anticipated to achieve lower power prices for consumers and improve security of supply for both countries. As a result, assets like Greenlink are expected to continue to receive support from key stakeholders in both Ireland and the UK given the fundamental benefits they provide for energy market integration. This is further evidenced by the European Union's continued interest in building new interconnectors with neighboring non-EU countries. Entering into such a project and bringing it to successful completion and operation will further credit us as a highly trustworthy and reliable partner for local and national governments embarking on large-scale infrastructure projects.

Private real estate

In March 2019, we acquired a majority equity stake in Dinghao Plaza, a large, mixed-use office and retail complex in Beijing. We partnered with a consortium including Ascent Real Estate Investors, Sigma Delta Partners Investment and the Family Office Company in the off-market acquisition, which had a total transaction value of USD 1.3 billion.

Dinghao Plaza is a 177'000 square meter mixed-use building complex situated in the heart of Beijing's ZGC area, known as the "Silicon Valley of China", with direct underground access to the ZGC metro station. Constructed in 2003, the property currently contains a large retail podium and two office towers. Our value creation efforts will be focused on repositioning under-used retail space for office use and undertaking a large-scale refurbishment of the existing office towers to bring them to Grade A standard.

Dinghao Plaza

H1 2019 at a glance - Investments

The acquisition of Dinghao Plaza is a great fit with our longstanding "buy, fix and sell" strategy, whereby we seek out properties in prime locations that can benefit from repositioning with sufficient time and capital. Together with our consortium partners, we plan to undertake a multi-year value creation program that will transform Dinghao Plaza into a core real estate asset.

Divestments in H1 2019

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. 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 the year. We acquired the BBTCA passenger terminal together with our partners in the Nieuport Aviation consortium in January 2015. Over the last four 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 that 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 on behalf of our clients.

Billy Bishop Toronto City Airport

Despite our exit activity for select assets, our broadly diversified portfolio is subject to market dynamics to some extent. 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. For example, global buyout exit values decreased to USD 44 billion in Q1, which compares to USD 133 billion in Q2,[3] suggesting that the correction was rather short-lived. Nevertheless, these market dynamics partially affected our realizations. We were able to realize a number of mature private markets assets on behalf of our clients, leading to a total of USD 4.7 billion in underlying portfolio distributions in H1 2019 (H1 2018: USD 7.4 billion). Some distributions to evergreen programs were re-invested for the benefit of the program's investment exposure. Given our pipeline of portfolio companies and assets with potential for divestment in the near future, we are confident about the potential for further meaningful realizations in the second half of 2019, assuming the market remains favorable to exits.

3 Preqin Quarterly Update: Private Equity & Venture Capital, Q2 2019.

H1 2019 at a glance - Clients

Clients

EUR 7.4 billion gross client demand in H1 2019; **AuM** stands at **EUR 80 billion.**

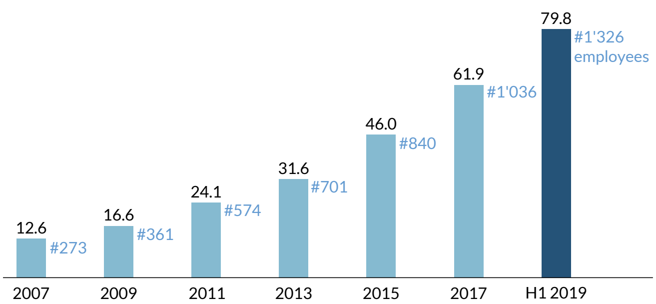
We continue to observe the structural trend of increasing allocations to private markets. Against a backdrop of expected outperformance over public markets and driven by a growing pool of investors seeking to enhance returns and to diversify risks in their portfolios, the fundraising environment remains generally supportive.

In H1 2019, we saw solid client demand across all private markets asset classes. While our fundraising was spread over around 20 individual programs and numerous mandates across all asset classes, our next-generation flagship programs were the ones that contributed more significantly to fundraising during the period and are also expected to do so over the next twelve to 18 months.

AuM grew to EUR 80 billion

In H1 2019, we received EUR 7.4 billion in new commitments from our global client base across all private markets asset classes (guidance for the full year: EUR 13 to 16 billion). This demand for programs and mandates brings total AuM to EUR 79.8 billion as of 30 June 2019 (31 December 2018: EUR 72.8 billion), representing a net growth of 9%.

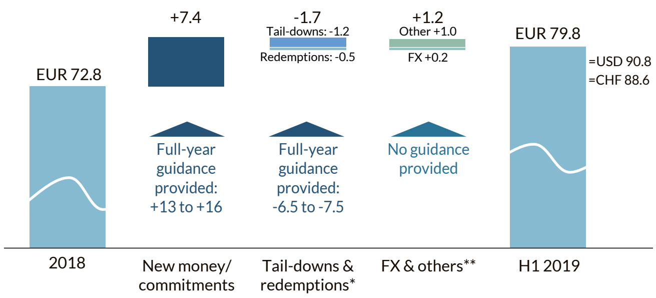
Total assets under management
(in EUR bn)



Note: assets under management exclude discontinued public alternative investment activities and divested affiliated companies held up to 2013. For a definition of AuM, please refer to the "Key definitions and alternative performance metrics (APM)" section on page 20.

Alongside new commitments received during the period, tail-down effects from mature private markets investment programs and redemptions from semi-liquid vehicles amounted to a total of EUR -1.7 billion. Tail-downs are expected to be strongly skewed towards the second half of the year, as a number of larger closed-ended programs will reach the end of their lifetime (full-year guidance for tail-downs and redemptions: EUR -6.5 to -7.5 billion). A positive contribution of EUR +1.0 billion stemmed mainly from performance- and investment-related effects from a select number of investment programs. The remaining EUR +0.2 billion was driven by foreign exchange effects. Overall, this resulted in net AuM growth of EUR 6.9 billion during the period.

Total assets under management development
(in EUR bn)



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

H1 2019 at a glance - Clients

Client demand across all asset classes

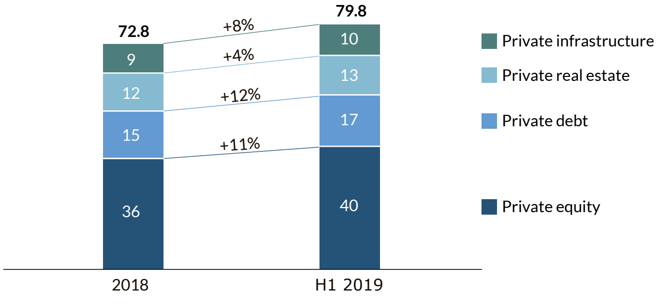
Private equity was the largest contributor to assets raised in H1 2019, representing 54% of all new commitments (EUR 4.0 billion). Demand was split across a wide range of different programs and mandates, with our next-generation private equity flagship program and our semi-liquid strategies being the main contributors. Our private equity AuM grew by 11% in H1 2019, bringing total private equity AuM to EUR 40 billion.

Private debt saw strong inflows in H1 2019, which represented 27% of all new commitments (EUR 2.0 billion). Demand was spread over several different programs and mandates focused on our direct lending activities, which contributed more than half of the assets raised, and our collateralized loan obligation (CLO) business, which contributed about 40% of new commitments. Today, our entire CLO business represents only around 4% of our AuM, but this proportion is expected to grow strongly in the years to come, depending on market receptiveness to CLOs. Private debt AuM grew by 12% in H1 2019 to EUR 17 billion. This makes it the fastest-growing business line within our firm.

Private real estate new commitments represented 11% of overall new client demand (EUR 0.8 billion). This was mainly due to the limited number of open investment programs during the period. Our last investment program closed in 2017 and is still in investment mode. However, we recently launched our new flagship program, which targets global real estate opportunities, and expect the program to contribute to fundraising in the next twelve months. Overall, our private real estate AuM grew by 4% in H1 2019 and stands at EUR 13 billion.

New client demand for **private infrastructure** represented 9% of all new commitments (EUR 0.6 billion). Similar to real estate, we are in the early stages of approaching the market with our new direct flagship offering and expect the program to make a more meaningful contribution to fundraising in six to twelve months from now. Private infrastructure AuM increased by 8% to EUR 10 billion in H1 2019.

AuM growth by asset class
(in EUR bn)

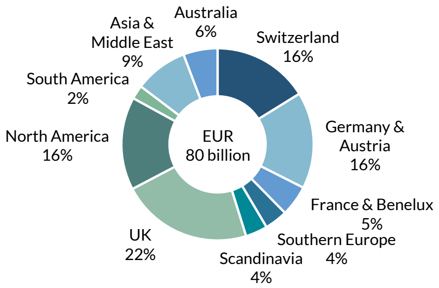


Client demand by region

We have an international client base of over 900 institutions around the world. In H1 2019, client demand was again well-diversified across regions: one third of new commitments came from the US and UK. Notably resilient countries were Switzerland and Germany, which together contributed about 30% of total inflows. The remainder stemmed from all other regions, with Australia, Asia and Southern Europe making strong contributions.

Following these inflows in H1 2019, our total AuM by region as of 30 June 2019 stands as follows.

AuM by region



Client demand by type

In H1 2019, **corporate, public and other pension funds** continued to be the key contributors to AuM growth, representing 44% 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 the first half of the year, with a focus on our CLO offerings. These institutions strengthened our position in the European and US broadly syndicated debt markets and made up 15% of our total fundraising in H1 2019. A further 12% of total client demand stemmed from **family offices** and other investors.

We saw continued demand from **distribution partners/private individuals**, which represented 16% of client demand in H1 2019. 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 semi-liquid structures, which offer quarterly, limited monthly and in some cases limited daily liquidity. We have been a notable pioneer in the structuring of **innovative semi-liquid programs** for investors and to-date manage more than 20% of our total AuM in such vehicles.

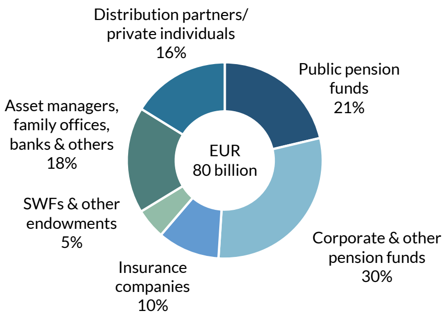
H1 2019 at a glance - Clients

Insurance companies accounted for 9% of overall inflows in H1 2019, displaying particular appetite for yield-generating private debt offerings as well as renewed interest for equity investments.

Sovereign wealth funds and **endowments** accounted for approximately 4% of total assets raised in H1 2019 and generally engage with us seeking highly tailored private markets solutions to complement their existing portfolios. We expect client interest in these segments to intensify going forward.

Following these inflows in H1 2019, our total AuM by investor type as of 30 June 2019 stands as follows.

AuM by type



H1 2019 at a glance - Client outlook

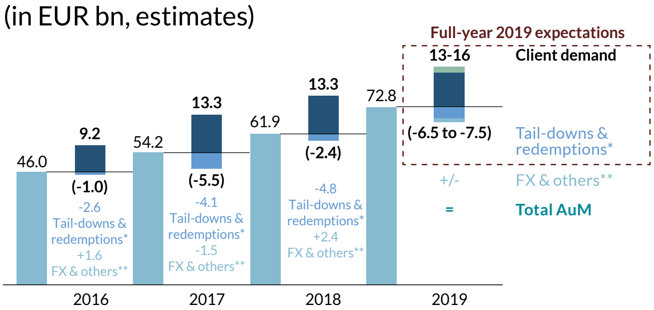
Client outlook

2019 gross client demand expected to be solid; **guidance** of **EUR 13-16 billion reconfirmed.**

Based on robust client demand for programs and mandates and driven by the steady increase in our investment capacity, we confirm our guidance of EUR 13-16 billion for the anticipated bandwidth of gross client commitments for the full-year 2019. This guidance assumes that the fundraising environment will remain favorable, which is our base case scenario.

Our full-year estimates for tail-down effects from the more mature Partners Group programs and potential redemptions from semi-liquid programs have not changed and amount to EUR -6.5 to -7.5 billion. We expect these tail-downs and redemptions to be strongly skewed towards H2 2019, as a number of larger closed-ended programs will reach the end of their lifetime.

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



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

Fundraising will be spread across a variety of solutions spanning all private markets asset classes, including flagship programs, customized mandates and the firm's extensive range of innovative semi-liquid offerings.

We continue to observe the structural trend of increasing allocations to private markets by institutional investors. Moreover, clients are often 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 well positioned to continue to be a strong partner to global investors.

H1 2019 at a glance - Financials

Financials

Management fees up +14% in line with average AuM growth; **EBIT** up +1% due to lower performance fees and intensified hiring.

Strong client demand (EUR 7.4 billion raised) and continued successful investment activities (USD 6.9 billion invested) enabled us to generate a solid 14% increase in management fees in H1 2019. During the same period, underlying portfolio realizations amounted to USD 4.7 billion (H1 2018: USD 7.4 billion). Realizations were affected by the end of 2018 market correction, which caused uncertainty in the market and slowed the global exit environment in the first quarter of 2019. This resulted in a decrease in performance fees, which were around the lower end of our communicated full-year guidance of 20-30% of total revenues. Total revenues rose 4% to CHF 682 million during the period.

Based on solid underlying business growth, we intensified the build-out of our teams across the entire organization over the last twelve months to meet increasing investment demand from clients. The strong build-out of the platform resulted in total personnel expenses increasing at a higher rate (+6%) than revenues (+4%). As a result, total EBIT increased by 1% to CHF 432 million (H1 2018: 429 million). The EBIT margin stands at 63%. Profit increased by 1% year-on-year to CHF 397 million (H1 2018: CHF 394 million), in line with EBIT.

Key financials

	H1 2018	H1 2019	Growth
AuM as of the end of the period (in EUR bn)	67.1	79.8	+19%
AuM as of the end of the period (in CHF bn)	77.8	88.6	+14%
Average AuM as of 30 June (in CHF bn)	74.3	86.0	+16%
Revenue margin [1) 2)]	1.77%	1.55%	
Attributable to management fee margin [3)]	73%	81%	
Attributable to performance fee margin	27%	19%	
Revenues (in CHF m) [2)]	659	682	+4%
Management fees (in CHF m) [3)]	*484*	*552*	*+14%*
Performance fees (in CHF m)	*175*	*130*	*-25%*
EBIT (in CHF m) [4)]	429	432	+1%
EBIT margin	65%	63%	
Profit (in CHF m)	394	397	+1%

1) Based on average AuM, calculated on a daily basis. 2) Revenues from management services, net, and including other operating income. 3) Management fees include recurring management fees and other revenues, net, and other operating income. 4) EBIT has replaced EBITDA as the firm's key performance indicator as it will be a more suitable measure of operating performance going forward. For a detailed explanation of this change, please refer to page 17.

H1 2019 at a glance - Financials

Management fees in line with AuM growth

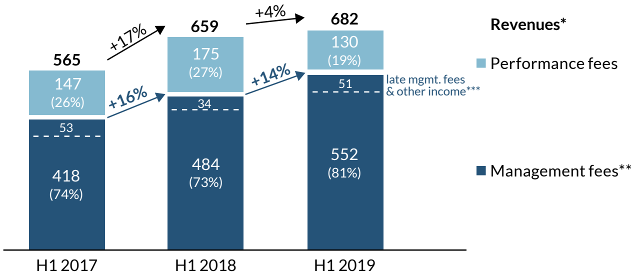
Management fees increased by 14% in H1 2019, amounting to CHF 552 million (H1 2018: CHF 484 million), in line with average AuM growth of 16%. The growth was also supported by late management fees and other income, which increased by 49% to CHF 51 million (H1 2018: CHF 34 million) and included income earned for fundraising and investment services, treasury management, and short-term financing services.

Performance fees amounted to CHF 130 million (H1 2018: CHF 175 million). Over 50 investment programs and mandates from a wide range of vintages continued to contribute to their development. However, performance fees were partially affected by the firm's lower volume of realizations in Q1 caused by uncertainty and a pick-up in volatility in financial markets, which ultimately resulted in the postponement of select divestment decisions. Although the market correction was short-lived and Q2 already showed a rebound in exit activity, we were not able to make full use of our realization potential in H1 due to these factors.

Our investment programs' performance remains solid and we are confident about the development of performance fees for the remainder of the year. We expect performance fees to contribute meaningfully to our revenues in 2019 and be within the communicated full-year range of 20-30% of total revenues, assuming the exit environment remains attractive.

Overall, total revenues rose by 4% to CHF 682 million in H1 2019 (H1 2018: CHF 659 million).

Revenues
(in CHF m)

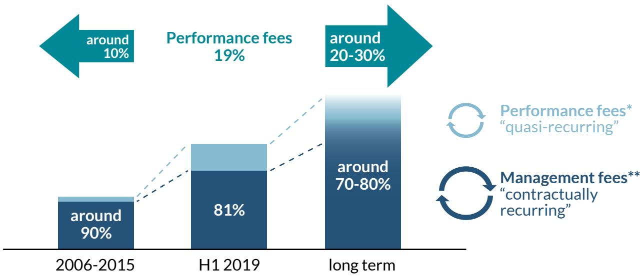


*Revenues include management fees and performance fees.
**Management fees include recurring management fees and other revenues, net, and other operating income.
***Late management fees and other income no longer include advisory services on select assets. Due to their recurring nature, the income stemming from such services is recognized in recurring management fees and amounted to CHF 9 million in H1 2019 (H1 2018: CHF 9 million; H1 2017: CHF 3 million).

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 and will be recurring 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. In H1 2019, management fees represented 81% of total revenues (H1 2018: 73%).

Management fees are contractually recurring

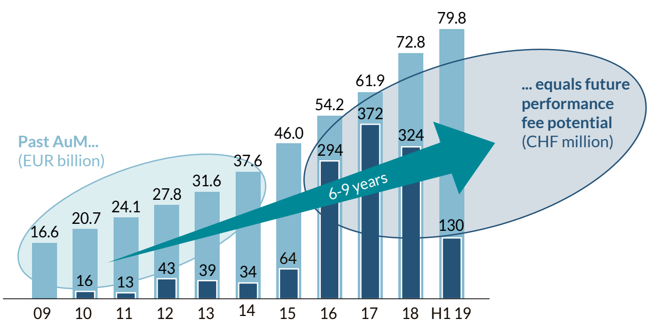


*Assuming that the market remains favorable to exits, Partners Group expects to continue to generate significant performance fees from underlying client portfolios due to the visibility that it has on the lifecycles of its programs.
**Management fees include recurring management fees and other revenues, net, and other operating income.

Performance fees in H1 2019 represented 19% of total revenues (H1 2018: 27%) and were around the lower end of our communicated full-year bandwidth. The expected full-year guidance for performance fees as a proportion of total revenues remains at 20-30%, assuming that the market remains favorable to exits. In the long term, future performance fee potential is expected to grow in line with AuM.

We currently manage over 300 diverse 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. 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 development



Note: assuming that the market remains favorable to exits, Partners Group expects to continue to generate significant performance fees from underlying client portfolios due to the visibility that it has on the lifecycles of its programs.

H1 2019 at a glance - Financials

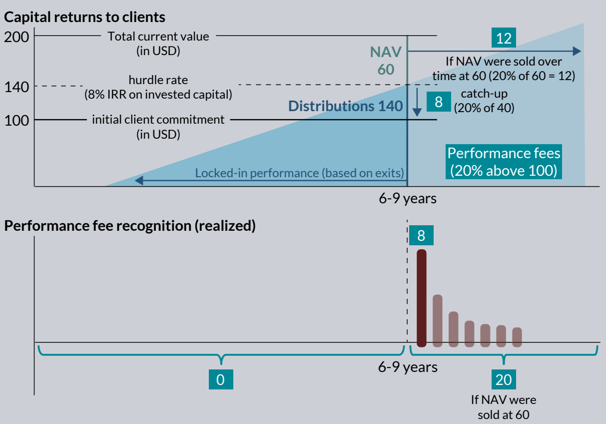
Performance fee mechanism

In private markets, performance fees are designed to remunerate investment managers for their long-term value creation results. They are a profit-sharing incentive for investment managers that outperform an agreed hurdle over the lifetime of an investment program. 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 chart below shows the performance fee recognition 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.

The illustrative example assumes an initial client commitment of 100. After a few years the portfolio generates distributions to the client based on ongoing exit activities (blue triangle). After 6-9 years, the cumulated distributions received by the client exceed 140, i.e. the hurdle rate. At this point in time, the investment manager catches up on past performance in excess of the initial client commitment ("catch-up" on 140-100 = 40, and 40 x 20% performance fees = 8).

Performance fee recognition model



Note: performance fees of performance fee generating investment programs and mandates typically range between 10-20% over a hurdle of 6-8% IRR on invested capital, depending on the program and instruments. For illustrative purposes only.

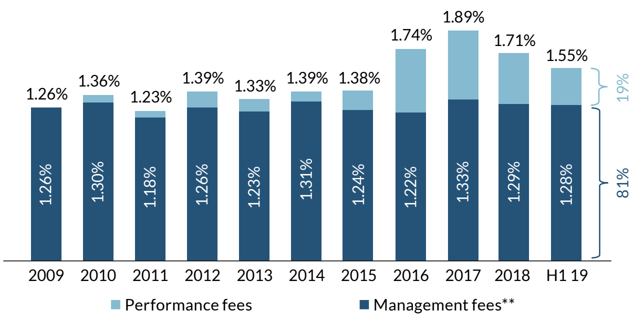
The investment manager will share any additional distributions stemming from the sale of the remaining portfolio over time, according to a pre-defined performance-sharing mechanism with clients (typically 80% to clients; 20% to the investment manager). The example assumes that the remaining NAV equals 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.

We further assume that due to the investment manager's value creation activities, the initial client commitment of 100 has translated into a total value of 200, which entitles the investment manager to a total performance fee of 20 (200 total distributions - 100 initial commitment = 100 value gain, then 100 value gain x 20% share of performance fees = 20 performance fees).

Continued stable revenue margin on management fees

The dominant part of our revenue base is still recurring and based on long-term contracts with our clients, providing highly visible cash flows. In H1 2019, the management fee margin remained stable, amounting to 1.28% (full-year 2018: 1.29%). Total revenue margin, including performance fees, amounted to 1.55% (full-year 2018: 1.71%).

Stable management fee margin*



Note: (annualized) revenues divided by average AuM, calculated on a daily basis.
*Management fees (annualized) divided by AuM, calculated on a daily basis.
**Management fees include recurring management fees and other revenues, net, and other operating income.

H1 2019 at a glance - Financials

Platform build-out intensified; personnel expenses grew disproportionally

Total personnel expenses – the main driver of our costs – increased by 6% in H1 2019, increasing at a higher rate than revenues (+4%).

During the first half of the year, we intensified our hiring activity. As a result, the average number of full-time employees grew by 20%, while average AuM increased by 16%. Professionals were onboarded across the entire platform to increase our investment capacity and to support major business, corporate and organizational initiatives. The increased hiring activity led to an increase in our (regular) personnel expenses, slightly in excess of our full-time employee growth rate. We remain disciplined in our approach to cost management and continue to steer the firm based on our targeted 40% cost-income ratio on newly generated management fees (assuming stable foreign exchange rates).

At the same time, our performance-fee related personnel expenses decreased by 25%, in line with the development of overall performance fees (-25%). We allocate ~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.

Other operating expenses grew by 5% to CHF 35 million (H1 2018: CHF 33 million).

Personnel expenses grew at a higher rate than revenues due to intensified platform build-out (in CHF m)

	H1 2018		H1 2019
Revenues	659	+4%	682
Total costs, of which	-230	+9%	-250
Personnel expenses	-189	+6%	-201
Personnel expenses (regular)	*-119*	*+25%*	*-149*
*Personnel expenses (performance fee-related)**	*-70*	*-25%*	*-52*
Other operating expenses	-33	+5%	-35
Depreciation & amortization**	*-8*	*+86%*	*-15*
EBIT	*429*	*+1%*	*432*
EBIT margin	*65%*	*-2%-points*	*63%*

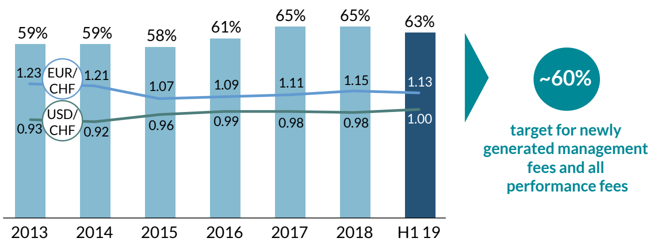
Note: revenues include management fees and performance fees. Management fees include recurring management fees and other revenues, net, and other operating income. Regular personnel expenses exclude performance fee-related costs.
*Calculated on a ~40% cost-income ratio on revenues stemming from performance fees.
**Reclassification of CHF 6 million of rent and lease contract costs as depreciation according to IFRS 16 in H1 2019.

40% cost-income-ratio targeted on new business; EBIT is our new key performance indicator

We are changing our primary key 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 were included in other operating expenses. This change in accounting policy supported the development of our EBITDA with a CHF 6 million contribution, resulting in total EBITDA of CHF 447 million in H1 2019 (H1 2018: CHF 437 million), an increase of 2%. EBIT has therefore replaced EBITDA as the firm's key performance indicator as it will be a more suitable measure of operating performance going forward.

In H1 2019, EBIT increased by 1%, amounting to CHF 432 million (H1 2018: CHF 429 million) and the EBIT margin decreased to 63% (H1 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.

EBIT margin development*



*For the years 2013-2014, non-cash items related to the capital-protected product Pearl Holding Limited were excluded from depreciation & amortization.
Note: foreign exchange rates in daily averages in respective years/periods.

Continued diversification of AuM, revenues and cost base anticipated

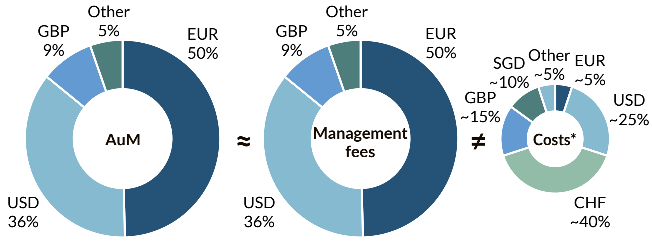
Over 80% of our revenues derive from EUR- and USD-denominated investment programs and mandates, reflecting our international clientele. However, around 40% of our cost base is still CHF-denominated. In recent years, though, our team has grown at a higher rate outside Switzerland as we have built out our investment presence around the world, in particular with strategic initiatives such as the set-up 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.

H1 2019 at a glance - Financials

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, management fees (typically representing 70-80% of our total revenues) and our recurring cost base are the main drivers of such deviations. In H1 2019, currency movements throughout the period negatively impacted the EBIT margin by approximately -1%. During the period, the EUR depreciated by 3% against the CHF. This negatively affected management fees in CHF (50% of AuM are EUR denominated).

Performance fee revenues and performance fee-related costs are similarly affected by currency movements and are, therefore, largely EBIT margin-neutral.

Currency exposure in H1 2019



*Includes regular personnel expenses (excluding performance fee-related expenses) and other operating expenses.
Note: all figures are based on estimates and the currency denomination of underlying programs; revenues include revenues from management services, net, and other operating income.

Financial result driven by value creation in client portfolios; negative foreign exchange result

The financial result amounted to CHF 23 million (H1 2018: CHF 17 million). We invest into our own investment programs alongside our clients (typically around 1% of a program's size). Another period of solid performance for these investments was the main contributor to the financial result, which amounted to CHF 33 million (H1 2018: CHF 28 million).

Foreign exchange, hedging & others amounted to CHF -12 million (H1 2018: CHF -11 million). Corporate taxes increased to CHF -57 million (H1 2018: CHF -51 million), reflecting our growing international setup. In summary, the firm's profit increased by 1% year-on-year to CHF 397 million (H1 2018: CHF 394 million), in line with EBIT.

Profit development
(in CHF m)

	H1 2018		H1 2019
EBIT	429	+1%	432
Total net financial result, of which	17	+33%	23
Portfolio performance	*28*	*+15%*	*33*
Net exchange differences, interest & others	*-11*	*-12%*	*-10*
Taxes	-51		-57
Profit	394	+1%	397

Net liquidity of CHF 0.9 billion

Partners Group's balance sheet remains strong. After a dividend payment of CHF 585 million in May 2019, we hold a current net liquidity position of about CHF 0.9 billion as of 30 June 2019. The net liquidity position comprises cash & cash equivalents and short-term working capital facilities for investment programs provided by the firm, net of borrowings.

In May 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 17 June 2027. The bond enables us to optimize the management of our liquidity, in particular, for short-term financing needs arising from the provision of treasury management services to our clients.

Key definitions and alternative performance metrics

Key definitions

Assets under management (AuM): Partners Group aims to mirror the fee basis for its various programs and mandates when calculating AuM. AuM covers programs, mandates and assets to which Partners Group renders (full or partial) investment management or advisory services, and does not cover consultant, transaction or other ancillary services it may render to clients or assets from time to time. AuM is typically calculated as i) the program size, ii) outstanding commitments to investments, iii) the net asset value or the outstanding principal of investments, or iv) the respective investment exposure.

The AuM basis is increased by the amount of assets raised that are based on i) subscriptions, or ii) new fee-paying assets and amounts planned to be invested which would become fee-paying assets in the following six months. Reductions in the AuM basis for mature programs i) may follow a fixed schedule, ii) can be based on the cost of realizing assets, or iii) may be the result of such programs being liquidated. The AuM basis is also reduced by redemptions on open-ended programs. Further changes in the AuM basis may be explained by factors such as performance or changes in FX rates.

Alternative performance metrics (APMs)

Partners Group uses various financial and alternative performance metrics (APMs) to measure its financial performance as part of its financial reporting. The APMs used by Partners Group supplement the measures that are documented and published in accordance with International Financial Reporting Standards (IFRS). An APM is defined as a financial measure of historical or future financial performance, financial position or cash flows that is not already defined or specified in the applicable financial reporting framework.

APMs are predominantly operational management metrics and undergo regular performance reviews in both internal and external reporting. The resulting findings are taken into account as part of a strategy review process. We must point out that the comparability of APMs within the industry can be limited due to different calculation methods.

Partners Group uses the following APMs:

Earnings before interest and tax (EBIT) stands for the sum of revenues from management services, net, including other operating income and expenses before net finance result and before income taxes. This metric is used by Partners Group as the financial target in its internal presentations (business plans) and in its external presentations (to analysts and investors). EBIT is considered as a useful unit of measurement for evaluating the operating performance of the group.

EBIT margin is calculated as earnings before interest and tax (EBIT) divided by revenues from management services, net, including other operating income. It is one of the key operational management metrics as it provides an indication of the profitability of the business.

In millions of Swiss francs	H1 2018	H1 2019
EBIT	429	432
Revenues from management services, net, including other operating income	659	682
EBIT margin	**65%**	**63%**

Key definitions and alternative performance metrics

Earnings before interest, tax, depreciation and amortization (EBITDA) stands for the sum of revenues from management services, net, including other operating income and expenses before net finance result, before income taxes and before depreciation and amortization.

Equity ratio is calculated as equity attributable to owners of the Company divided by total liabilities and equity.

Net liquidity position is calculated as cash and cash equivalents including short-term loans to products, minus credit facilities drawn and long-term debt.

In millions of Swiss francs	Dec 2018	June 2019
Cash and cash equivalents	412	283
Short-term loans	1'113	1'493
Credit facilities drawn	-	(120)
Long-term debt	(299)	(799)
Net liquidity position	**1'226**	**858**

Revenue margin is calculated as (annualized) revenues from management services, net, including other operating income, divided by average assets under management (in CHF) calculated on a daily basis.

In millions of Swiss francs	H1 2018	H1 2019
Revenues from management services, net, including other operating income	659	682
Average assets under management (in CHF) calculated on a daily basis.	77'615	86'010
Revenue margin	**1.71%**	**1.55%**

Return on average shareholders' equity (RoE) is calculated as (annualized) profit for the period, divided by average equity attributable to owners of the Company.

In millions of Swiss francs	H1 2018	H1 2019
Profit for the period	394	397
Average equity attributable to owners of the Company	1'875	1'943
Return on equity	**42%**	**41%**