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.

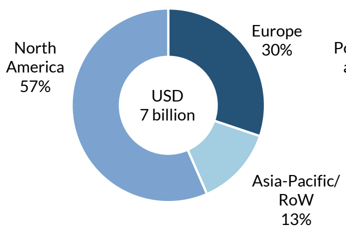
Despite these lower investment volumes in the market, we invested a total of USD 6.9 billion on behalf of our clients across all private markets asset classes in H1 2019. Of this total amount, USD 4.1 billion (60% of total investment volume) was deployed in direct assets, of which USD 2.3 billion was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

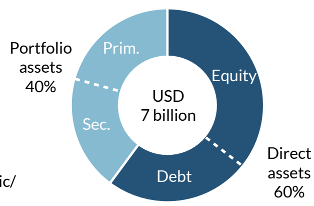
1 Preqin Quarterly Update: Private Equity & Venture Capital, Q2 2019.

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

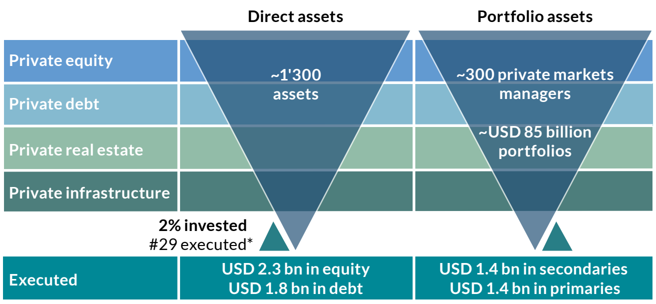
H1 2019 deal flow remained attractive; investment process remained highly selective

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.

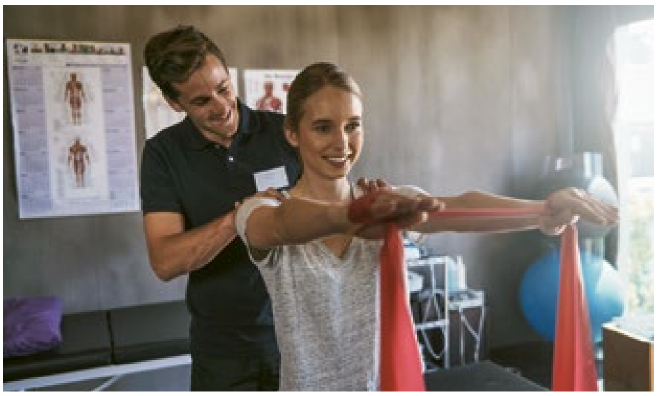
Private markets investments in H1 2019[2]

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.

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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

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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.