

# 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 start this letter by acknowledging the unprecedented events of the past year, precipitated by the outbreak of the COVID-19 pandemic. Safeguarding the health and safety of our employees, and those of our portfolio companies, was our first priority in 2020.

In parallel, we drove forward performance in our investments for the benefit of our clients. With double-digit EBITDA growth across our direct private equity portfolio, we are proud to report strong portfolio performance last year. The foundations for portfolio stability were laid by our emphasis on thematic sourcing coupled with our disciplined asset selection and value creation approach.

Towards the end of the year 2020 markets turned more active and our investment activity has increased again considerably. As we transition into 2021, our transformational approach to investment and our entrepreneurial approach to governance remain at the core of our activities. This gives us confidence that with our investment strategy we are well positioned to continue to grow and provide our clients with sustainable returns.

### **Continued strong demand for our private markets solutions**

Despite the challenging environment in 2020, our business model has proven to be resilient amid the economic headwinds caused by the pandemic. Clients around the globe entrusted us with USD 16 billion in new commitments. We saw strong demand across all asset classes and program types, from customized mandates and our extensive range of evergreen fund solutions, to traditional closed-ended

programs. Our total AuM increased to USD 109 billion as of 31 December 2020. This translated into a strong 11% underlying AuM growth (16% including foreign exchange effects).

In the past, our industry has primarily grown via traditional funds, but we are now increasingly seeing investors in private markets turn to customized mandate solutions as a means of optimizing the return potential of their commitments to the asset class. Many of our clients are looking for specific risk/return exposures and to combine various asset classes, match asset/liability needs through cash-flow profiling, and ramp up quickly through investment level steering. We are truly differentiated in creating these types of bespoke private markets solutions, with a 20-year track record of forming customized mandates. Today, 64% of our AuM is managed through bespoke private markets solutions. We believe that this differentiates us and will remain important as our industry continues to mature and grow.

### **The transformative trends we identified have been amplified and accelerated**

We are highly satisfied with the resilience our portfolios showed during the volatility of 2020. Our investments were reasonably stable in the first half of the year and rapidly transitioned back to growth in the second half of the year. We believe that our hands-on approach and our thoughtful theme selection helped to facilitate this stability. COVID-19 has, in fact, amplified and accelerated most of the trends and themes on which Partners Group has focused.

Our team of over 500 private markets investment professionals works year-round to identify transformative trends across sectors. We find and target companies and assets with strong potential to benefit from these trends. Then, together with our over 200 Operating Directors

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and Industry Advisors, our professionals leverage our entrepreneurial governance approach to transform the companies and assets in which we have invested into market leaders. This approach has delivered strong revenue growth and sustained double-digit EBITDA growth across our direct private equity portfolio – in turn giving us a strong track record of investment outperformance in many areas.

In 2020, we continued our steady work on our investment themes, which are underpinned by long-term secular trends. This has been our approach across the entire platform, not only in private equity, but also in private infrastructure and private real estate, for several years. However, today, this approach shapes our investment activities more than ever. In private equity alone, there are hundreds of such themes; we currently zoom in and develop concrete investment opportunities in more than 50 of them, grouped into our four main sectors. Just to name a few of these, we look at cell and gene therapy related tools and services in Health & Life, software verticalization in Technology, digitized facility management in Services, and sustainable alternatives in industrial food production in Goods & Products, amongst many others. We have started 2021 with a significant investment pipeline centered around our main thematic growth trends.

## Translating clients' portfolio performance into shareholder returns

Turning to our financials, while our fundraising activity in 2020 resulted in AuM growth in USD of 16%, the year-on-year average AuM growth in CHF was 6% as the Swiss franc strengthened against all major currencies. Management fees grew by 1% to CHF 1'146 million and were impacted by temporarily lower levels of other operating income, mainly due to lower investment activity during the period.

Total revenues decreased by 12% to CHF 1'412 million, driven by lower revenues from performance fees. In H2, more favorable exit markets enabled the firm to realize several assets and performance fees recovered strongly to 27% of total revenues, up from 9% in H1. In H1, the firm had to postpone several divestments due to the weak exit environment caused by COVID-19. As a result, total revenues from performance fees decreased by 44% to CHF 266 million representing 19% of total revenues. Our expected mid- to long-term range of performance fees in relation to total revenues remains at 20-30%.

While we forged ahead with investing for future growth, our disciplined approach to cost management resulted in a stable EBIT margin, which stood at 62% as of year-end. Below EBIT, the financial result is driven by our investments alongside

clients into our own investment programs. The strong performance of these programs reflects the success of our transformational investing strategy. Profit decreased by 11% year-on-year to CHF 805 million, in line with revenues.

Based on the solid development of the business across asset classes and regions, the operating result and Partners Group's Board of Directors' confidence in the sustainability of this growth, the Board will propose a dividend of CHF 27.50 per share to its shareholders at the Annual General Meeting in May 2021. This represents a dividend increase of 8% and a payout ratio of 91%.

## Formalizing our Stakeholder Benefits program and advancing our corporate sustainability efforts

At the portfolio level, besides remaining steadfast in our commitment to responsible investment and ESG integration, we further advanced the Stakeholder Benefits Program which we had introduced in last year's letter. The program is aimed at systematically re-investing in our portfolio assets to create positive impact for employees and other stakeholders, ultimately building better, more sustainable businesses to optimize investment outcomes for our clients. Last year, we entered into a structured dialogue with some of our largest clients and other stakeholders to define the scope and format of the program. This year, we have begun to take action: we have launched a pilot program at three of our assets. We will continue to work on defining the final format of the program in 2021 and look forward to updating you on our efforts.

We also continued to advance our corporate sustainability efforts in 2020 with a focus on two key topics: diversity & inclusion and climate change. We remain committed to achieving our target of substantially increasing the number of senior female professionals and leaders at our firm through our employee development programs and targeted recruitment initiatives. Furthermore, we supported the launch of two new employee networks, The Black Network and The LGBT++ Network, which together with our existing Women's Network aim to make Partners Group a more inclusive company.

On the climate front, we will soon publish our Climate Change Strategy that we started developing last year to formalize our approach to managing climate risks across our investment portfolio and our firm.

Finally, we have continued to focus on onboarding new talent and investing in the development of our employees through PG Academy, our in-house platform that provides employees with targeted opportunities to grow business and leadership skills. We launched PG Academy at the start of the year and swiftly combined physical and virtual classroom trainings with

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eLearning to expand our leadership development programs and targeted training modules during COVID-19.

More detail on each of these initiatives will be made available in our 2020 Corporate Sustainability Report.

## Going beyond impact: we are in this together

Taking a step back and looking at the extraordinary events of the past year, there is no denying that the COVID-19 pandemic is the biggest challenge that many of our portfolio companies have ever faced. Naturally, in the early days of the pandemic, the attention of our investment engine shifted entirely to helping our portfolio companies navigate the evolving pandemic. Our investment teams are responsible for around 200'000 employees who work for our largest portfolio companies. During this time, they worked intensively with our portfolio company management teams to ensure the health and safety of these employees as well as maintain business continuity, with each asset requiring customized advice and solutions to manage the negative impacts of the crisis. To support the most financially vulnerable employees at our portfolio companies, we also rallied to raise a USD 10 million Portfolio Employee Support Fund. As of December 2020, the fund had supported over 12'000 portfolio company employees with their medical expenses, increased childcare or remote learning costs, as well as assisting households whose income levels were negatively impacted by government-imposed lockdowns, furloughs or the tragic loss of loved ones.

## Our 25th anniversary in 2020 – time to give back

Partners Group celebrated its 25th anniversary in 2020. The success of our firm to-date could not have been achieved without the dedication of our employees and the trust and partnership of our clients, business partners, and other stakeholders. To mark the occasion, Partners Group launched the PG Gives Back initiative, gifting employees additional time off and financial contributions to support the communities in which they live. Across Partners Group's 20 offices globally, our more than 1'500 employees planned their own initiatives or partnered with local charities and organizations to donate time and capital to important causes such as conservation, education, healthcare and helping those in need.

## Moving towards a single CEO structure as of 1 July 2021

Careful succession planning has always been a key success factor for Partners Group and periodic adjustments to our Executive Committee and senior leadership team are a recurring feature of our corporate development. In line with this, on 16 March 2021 we announced changes to the

composition of our Executive Committee that will take effect from 1 July 2021.

After eight years in the role, André Frei will step down from his position as Co-CEO and Executive Committee member and will assume a new responsibility as Chairman of Sustainability. The Board of Partners Group is very grateful for André's significant contributions to the firm as Partner and Co-CEO. David Layton, who has been a Co-CEO since 2019 and is based in Denver, will become Partners Group's sole CEO.

In tandem, we announced further appointments to the Executive Committee that will support the future development of the firm's transformational investing and bespoke client solutions strategies. With an ambitious business development agenda, the Board of Directors is confident that Partners Group's experienced and global leadership team will steer the firm to continue to realize its full potential.

Thanks to the dedication of our employees and the trust of our clients, business partners and shareholders, we are convinced that we will emerge from this crisis even stronger and with a renewed commitment to creating lasting, positive impact for all our stakeholders.

We thank you for your continued partnership.

Your sincerely,



**Steffen Meister**  
Executive Chairman



**André Frei**  
Co-Chief Executive Officer



**David Layton**  
Co-Chief Executive Officer