Message from the Chairman and Co-CEOs

André Frei, Steffen Meister, David Layton

The main themes underlying our investment approach should not only withstand the structural changes caused by the COVID-19 pandemic, but these changes may in fact amplify the relevance of many of the businesses and assets in our investment portfolio.

Dear clients, business partners, shareholders and colleagues,

In the first half of 2020, the world had to adapt as the COVID-19 pandemic unfolded and government-enforced lockdowns followed. At Partners Group, we made safeguarding the health of our employees and our portfolio company employees our immediate priority. As the pandemic took hold, we were successful in protecting our colleagues from the initial spread of the virus with minimal disruption to business continuity. For those portfolio assets that provide essential manufacturing or services, we launched a sourcing initiative for personal protection equipment via our global network to enable employees to work safely.

In parallel, to protect and drive forward performance in our portfolio, we created a COVID-19 action plan for each asset, allocating leadership, operational and financial resources. These plans prioritized business continuity and the preservation of liquidity throughout the early phase of the crisis. To support the most financially vulnerable employees in our portfolio companies, the firm and its partners and employees raised a USD 10 million Portfolio Employee Support Fund. This fund helped to address the specific needs of families and individuals from across our global portfolio during this challenging time, and contributed to medical expenses, healthcare and childcare, among other things.

While we invested a total of USD 4.3 billion (H1 2019: USD 6.9 billion) on behalf of our clients across all private markets asset classes in H1 2020, with a majority of these investments undertaken in the earlier part of Q1, the investment activity slowed considerably when government-enforced lockdowns were enacted.

Today, it is becoming increasingly evident that the COVID-19 pandemic will continue to act as a major disruptor until an effective vaccine or medication is found and distributed globally. At the same time, the mid-term outlook for the economy remains quite uncertain. However, our experience during H1 2020 has reassured us that our entrepreneurial governance, our hands-on engagement with assets and our focus on robust, transformative sectors should not only withstand the structural changes following COVID-19, but that these changes may in fact amplify the relevance of many of the businesses and assets in our investment portfolio. In particular, attractive sectors benefitting from these amplifications are outsourced contract manufacturing, software product engineering, digital outsourcing solutions, renewable energy and last-mile logistics. Therefore, we believe the longer-term outlook for our portfolio and investment strategy continues to be very strong. We also believe that the overall outperformance of our resilient private markets direct portfolios against the relevant public markets benchmarks is testimony to this.

As we move into H2 2020, we will continue to broaden our approach to thematic investing and have reinitiated dialogues around potential new acquisitions. The focus remains on high-quality and resilient assets that have performed strongly despite the uncertain environment. With around USD 15 billion of dry powder as of 30 June 2020, together with our wide-ranging industry network and thematic sourcing approach, we remain well-positioned to capitalize on attractive private markets investment opportunities across all asset classes. In July 2020, we agreed to acquire a major equity stake in Rovensa, a leading European provider of specialty crop nutrition, protection and biocontrol products, at an enterprise value of around EUR 1 billion. In August 2020, we invested additional equity to acquire and construct Murra Warra II, a 209MW wind farm project in Australia.

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Of course, our client interactions continued throughout H1, at an even higher intensity and frequency than normal. Although social distancing measures limited in-person meetings during this period, we found innovative ways to bring clients even closer to our entrepreneurial ownership approach through in-depth, asset-level "virtual" performance updates. Overall, our clients entrusted us with USD 8.3 billion in new capital commitments during the first half of the year, demonstrating a shared conviction in our investment approach.

For the full-year 2020, we anticipate gross client demand of USD 12-15 billion. This range factors in the potential for temporary constraints on investment volumes due to the sustained uncertainty in the market and longer conversion periods for new client commitments. We continue to expect fundraising to span a variety of solutions across all private markets asset classes.

Turning to our financials in H1 2020, the USD 8.3 billion of new assets raised translated into a 3% increase in management fees year-on-year to CHF 567 million. At the same time, the market volatility introduced by COVID-19 impacted the exit environment and caused us to postpone several exit activities originally tabled for H1, which led to a corresponding decline in performance fees. As a result, total revenues decreased by 9% to CHF 623 million during the period.

We continued to balance our cost discipline with investing in the growth of our business. In H1 2020, we prioritized business continuity at Partners Group and across our portfolio over the hiring of new employees. This temporary slowdown in our hiring efforts resulted in a 3% FTE growth for the six-month period ended 30 June 2020, largely in line with the development of AuM. However, the number of average FTEs increased by 19% versus H1 2019 as we had intensified the build-out of our teams throughout 2019.

Total personnel expenses – the main driver of costs for the firm – decreased more than revenues, mainly because performance fee-related personnel expenses fell in line with the development of overall performance fees. This confirms our disciplined approach to cost management, which resulted in a stable EBIT margin of 63%. EBIT decreased by 10% to CHF 390 million, in line with the revenue development.

In the 14 years since we listed on the SIX Swiss Exchange in 2006, we have successfully invested over USD 125 billion for our clients and generated significant value for them. Over the same time period, Partners Group's share price has mirrored the value created for our clients and our stock has outperformed that of all the companies in the Swiss Market Index (SMI). The blue-chip SMI is the most prominent market index in Switzerland, comprising the 20 largest Swiss stocks.

As a result of our growth and performance, Partners Group will be included in the SMI as of 21 September 2020. We recognize this as a significant milestone that substantiates our commitment to our purpose of creating lasting positive impact as a long-term investor, business partner and employer.

As we look back on a challenging H1 2020, and plan for continued challenges in the second half of the year, we are confident of the resilience of the business we have built. We remain steadfast in our commitment to generating long-term value and positive outcomes for all our stakeholders and thankful for your trust in our firm.

Steffen Meister
Executive Chairman

André Frei
Co-Chief Executive Officer

David Layton
Co-Chief Executive Officer