

Message from the Chairman and the CEO



Steffen Meister Executive Chairman, **David Layton** Chief Executive Officer

Dear clients, business partners, shareholders, and colleagues,

2021 was an exceptional year for Partners Group, which showed the true potential of the platform we have been building for over two decades. As confidence returned, investment activity in private markets has picked up. Our thematic investing approach and entrepreneurial governance model enabled us to successfully navigate a very competitive market and we invested a record USD 32 billion into companies and assets that we believe are well-positioned for future growth.

Additionally, we took advantage of the strong market appetite for quality assets to realize the transformational business-building we have engaged in over the last few years through a series of exits. This resulted in USD 29 billion of realizations – another record – leading to excellent returns for our clients, stakeholders, and beneficiaries, while confirming the high-quality value creation we have engaged in.

On the client side, we continued to see robust demand for our wide range of private markets offerings. Demand was well diversified across all private markets asset classes, with clients entrusting us with USD 25 billion in new capital commitments.

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 33.00 per share to shareholders at the Annual General Meeting in May 2022.

Today, we look ahead with confidence in our business. While there are clearly clouds on the horizon – a potentially

prolonged period of market volatility and geopolitical instability, inflation, and supply chain disruptions – our unique approach to transformational investing remains the best defense against economic instability.

Transformative trends continue to perform strongly

With downside risks to macroeconomic fundamentals dominating, we maintain a strong conviction in our strategy of transformational investing, which combines thematic sourcing with a hands-on value creation approach. We focus on sectors and areas of the economy that have the potential to grow at above-average rates over a period of at least five to ten years.

The three overarching mega themes that we believe are driving structural change and secular growth – Digitization & Automation, New Living, and Decarbonization & Sustainability – further accelerated in 2021. These themes underscore our thematic investing approach and shape the landscape of opportunities we prioritize across private markets asset classes. We build our investment pipeline based on these themes – within private equity, for example, we pursue 40 to 60 specific themes at any given time. This thematic sourcing results in a steady and predictable pipeline of lead direct investment opportunities, which currently stands at around USD 175 billion of investment volume across our platform.

Last year, we committed to new high-quality investments across all private markets asset classes. For example, within private equity, a key theme within commercial services has been the growing trend towards outsourced maintenance of critical equipment. To access this theme, Partners Group acquired a controlling stake in DiversiTech, a US

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manufacturer and supplier of parts for heating, ventilation, and air conditioning equipment. In private infrastructure, rapidly rising data consumption globally has highlighted the essential nature of broadband networks, leading to our investment in EOLO, a fixed wireless access provider in Italy that utilizes fixed wireless access technology to bridge the digital divide between the rural and metro areas in Italy. Within private real estate, sustained growth in e-commerce continues to fuel demand for logistics assets located near urban centers. To further increase client exposure to this theme, we invested into a diversified UK Logistics Portfolio.

Continued market demand for quality assets

At Partners Group, we are business builders, dedicated to transforming attractive companies and assets into market leaders. Last year provided a positive environment for exiting many of our more mature assets, which had benefitted from substantial value creation, and realizations from our underlying portfolio reached a new record. For example, we completed the sales of Cerba HealthCare, a leading European player in medical diagnosis, and GlobalLogic, a leading digital engineering services company helping businesses navigate the digital transition, for a combined enterprise value of USD 15 billion.

Strong demand for our private markets solutions

Our total assets under management at the end of 2021 increased by 17% year-on-year, reaching USD 127 billion. In a year that saw demand coming from a broader client base than ever, it is clear that the trend towards bespoke client mandates, an area in which Partners Group has been an industry pioneer, has continued to prove a differentiator for our firm. Today, our bespoke client solutions include single- and multi-asset class private markets mandates and evergreen programs where we actively manage and steer their exposure to private markets in line with longer-term investment horizons. Our bespoke client solutions continued to grow at a faster rate than overall AuM and now represent 64% of the assets we manage on behalf of our clients.

Translating portfolio performance into shareholder returns

We are pleased to report that this exceptional set of results across the board has led to strong financials in 2021. Substantial underlying portfolio realizations translated into significant performance fee growth over the period with performance fees increasing to CHF 1'197 million in 2021

(46% of revenues) from CHF 266 million in 2020 (19% of revenues). Due to the "catch-up" in exit activities that had been postponed from 2020 following the outbreak of the COVID-19 pandemic, as well as select realizations originally planned for 2022 that were brought forward because the firm had already met its value creation targets, we had guided for performance fees to be between 40-45% of total revenues. In the mid- to long-term, we retain our guidance that performance fees will account for 20-30% of total revenues.

As a result, total revenues rose 86% to CHF 2'629 million in 2021. We maintained a disciplined approach to cost management, but we continued to invest in the future growth of our business, leading total costs to grow in line with revenues and EBIT to increase by 89% to CHF 1'650 million. This resulted in a stable EBIT margin, which stood at 62.8%. During the period, our transformational investing strategy facilitated substantial value creation in our investment programs for clients and resulted in an average return across all stages and asset classes of 16% on our own investments on the balance sheet alongside our clients. As a result, profit increased by 82% year-on-year to CHF 1'464 million, in line with revenues.

Update on stakeholder impact

Creating lasting, positive impact for all our stakeholders is key to generating sustainable returns. In 2021, Partners Group became the only global private markets firm to be included in the Dow Jones Sustainability Indices, which assess the performance of companies against a defined set of economic, environmental, and social criteria. This is an important recognition of our firm's position as a corporate sustainability leader in private markets.

We took significant steps last year to further advance our approach to sustainability. This included publishing a climate change strategy that outlines the steps we are taking to reduce carbon emissions across our organization and investment portfolio; ensuring ESG criteria are integrated throughout the entire investment process for 100% of Partners Group's assets under management; introducing new initiatives to substantially increase the diversity of professionals at the firm; and establishing best-in-class talent attraction and retention programs through our PG Academy learning and development platform.

Building on these successes, we are in the process of finalizing our Sustainability Strategy, which will expand our leadership role in this area. Covering both our firm and our portfolio companies, the Strategy is built around

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environmental, social, and governance priorities, including tackling climate change and carbon reduction; realizing employees' potential; creating positive stakeholder impact; and achieving ownership excellence and sustainability at scale.

We will publish our Corporate Sustainability Report in April 2022 with further details on how we plan to extend our thought leadership in the space.

War in Ukraine

Just a few weeks ago, the unspeakable attack on Ukraine brought to an end our previous understanding of European political stability. The human tragedy caused by this crisis is, of course, forefront in our minds and we have been leveraging our global network of portfolio companies and business partners to respond to the urgent need for humanitarian aid. Our efforts so far have included delivering food, water, and medical supplies to Ukrainian citizens and donating warehouse space to the Polish Red Cross.

While we have marginal direct investment exposure to the region, as far as the potential wider repercussions are concerned, it is too soon to assess the economic and political impact the war in Ukraine will have in Europe and globally, but we will likely enter a phase of increased volatility.

Outlook

We are confident in the long-term outlook for private markets, an industry we believe will grow to USD 30 trillion assets under management in the next decade. Private markets are, in our view, becoming the new 'traditional' asset class, offering tremendous investment opportunities for firms like ours. It will, however, be a market characterized by increased competition, growing regulatory scrutiny, and increasingly specialized market participants. In this environment, firms like Partners Group – well-resourced active managers that focus on thematic sourcing, value creation capabilities, and an entrepreneurial governance approach – will be greatly positioned to navigate these challenges and continue to deliver sustained outperformance to their clients, at scale.

To continue capturing the opportunities represented by the growth of private markets and remain a leader in the industry, we are evolving our firm, building on our proven strengths of leading investment capabilities, a differentiated client offering, and solid operations.

We have identified six strategic focus areas that will support the sustainable and profitable growth of our firm, on behalf of our clients, business partners, shareholders, and Partners

Group professionals. We are confident that success in these areas is the key to unlocking even more value and we look forward to reporting back to you on these focus areas in the coming years.

In closing, we would like to highlight one of our most important assets – our employees. The growth of our business last year would not have been possible without the hard work and dedication of our colleagues, who have shown strength in adversity throughout the global pandemic. In the name of the Board and the Executive Team, we would like to thank them once again for their contribution.

As ever, we remain committed to creating lasting, positive impact for all our stakeholders and thank you for your trust in our firm.

Yours sincerely,



Steffen Meister
Executive Chairman



David Layton
Chief Executive Officer