# Message from the Chairman and the CEO

## Dear clients, business partners, shareholders and colleagues,

Following a prolonged period of uncertainty, many economies are showing strong signs of recovery as global vaccination campaigns progress. As the market has regained confidence, investment activity has picked up significantly across private markets, with investment volumes near record highs.

However, we are aware that there are still significant clouds on the horizon. The outlook on inflation is uncertain; commodity prices have surged; wage pressure is rising in the low-income segment; and the pandemic is not yet behind us.

While we have a large and attractive investment pipeline, identified through our Thematic Investing approach, scenario testing and selectivity are critical tools in our investment toolbox, especially in the current market environment: rather than relying on a single base case, we test our investment proposals against multiple macroeconomic scenarios to select assets and build portfolios that can withstand different economic impacts. Additionally, valuations in private markets are still elevated and the market remains extremely competitive. To justify paying these high prices for quality assets, we focus only on those that benefit from the most compelling transformative trends and that we can develop into market leaders through entrepreneurial governance and hands-on value creation.

Following this highly disciplined approach, we committed USD 13 billion to new investments across all private markets asset classes in the first half of the year. Examples of quality assets acquired on behalf of our clients during the period include Axia Women's Health, a leading provider of women's healthcare services in the US that is well-positioned to expand within this growing industry; Gren, one of the largest district heating platforms in the Baltics using fuel mainly derived from renewable or recycled sources; and Unity Digital Infrastructure, a telecommunications infrastructure platform in the Philippines that will support digitalization and rising data consumption in the country.

Moving to the opposite end of the investment lifecycle, 2021 has thus far provided a very favorable environment for exits and rewarded our transformational approach to investment. Supported by solid demand for market-leading companies and real assets, we agreed the sales of a number of mature private markets assets on behalf of our clients in the first half of the year, leading to a total of USD 10.5 billion in underlying portfolio distributions. Taking into consideration exits signed in H1 that are expected to close in H2, we are on track for a record year in terms of underlying portfolio distributions, with at least an incremental USD 5 billion in distributions anticipated in the second half of the year. One example of an exit that closed after H1 is our sale of leading US digital engineering services company GlobalLogic to Hitachi for an enterprise value of USD 9.5 billion, generating a 5x gross multiple for investors.

On the client side, we saw strong demand for our broad range of private markets offerings in the first half of the year. Clients across all regions entrusted us with USD 12 billion in new commitments, bringing total AuM to USD 119 billion as of 30 June 2021. Our bespoke client solutions were the largest overall contributors to assets raised, demonstrating investors' preference for the flexibility offered by these non-traditional offerings and our leadership in this space. Today, our bespoke client solutions include single- and multi-asset class private markets mandates and evergreen programs, which cater to investor appetite for tailored private markets solutions and open-ended private markets programs with limited liquidity features.

Client demand was also diversified across private markets asset classes, with private equity the largest overall contributor. On the traditional offerings side, private equity fundraising was supported by demand for our fourth buyout program, which is approaching its final close. On the bespoke client solutions side, our flagship US evergreen fund was a key contributor, recording its highest ever inflows during the six-month period. Based on solid client demand in the first half of the year, we confirm our guidance of USD 19 to 22 billion in anticipated gross client demand for the full year.

We are pleased to report that this robust set of results across the board has led to strong financials for the first half of 2021. Performance fees increased to CHF 442 million (39% of revenues) in H1 2021 from CHF 56 million (9% of revenues) in H1 2020. It is important to note that performance fees in H1 2020 were negatively affected by the subdued exit environment caused by the outbreak of COVID-19. Indeed, some of the exits we executed in H1 2021 had originally been scheduled for 2020 but had been postponed due to the pandemic. This "catch up" in exit activity translated into strong performance fee growth over the period. In the second half of the year, we will continue to take advantage of the favorable market environment for exits. Due to this, and considering the strong performance in H1 2021, we anticipate performance fees to represent 40-45% of total revenues for the full-year 2021, making 2021 an exceptionally strong year overall.

Turning to the remainder of our financials, management fees grew by 21% to CHF 688 million in H1 2021. Together with performance fees, this led total revenues to increase by 81%

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to CHF 1.1 billion. Our EBIT increased by 80% to CHF 702 million. Our EBIT margin remained stable at 62%.

The strong growth of our business in the first half of the year would not have been possible without the hard work and dedication of our colleagues, who have shown strength in adversity throughout the last 18 months. We are extremely grateful for their unwavering efforts and remain committed to investing in them and providing an environment in which they can thrive. In the first six months of the year, we continued to develop PG Academy, our bespoke learning and development platform designed to deliver leadership development programs and targeted technical training. When we first launched the platform at the start of 2020, we quickly had to adapt classroom trainings to a work-from-home setup, introducing virtual classrooms and online training programs. Today, we are pleased to be able to move some of our PG Academy trainings back to an in-person setting as we welcome employees back to the office in many regions.

Speaking of welcoming employees back to the office, we are especially excited about the new global headquarters we are building in Zug. In fact, at a time when companies globally are increasingly looking at permanent remote working arrangements or outsourcing solutions as a means to reduce their physical footprint, we remain more committed than ever to providing welcoming, state-of-the-art environments for our people. Partnership and teamwork are part of our DNA and, as a firm, we believe that we achieve the best results for our clients and portfolio companies when we have the time and space to collaborate in person. This approach also allows us to provide our employees with the best training, support and development opportunities, and enable them to realize their full potential.

It was in this spirit that we decided a few years ago to invest in making the Partners Group office experience truly unique. We started with the construction of our North American headquarters in Denver, Colorado, which was inaugurated in 2019. Built in brick, steel and stone, the architecture of our Denver campus is an embodiment of our industrial mindset, representing our hands-on, entrepreneurial approach to working with portfolio companies to create lasting, positive impact. The campus is designed to foster teamwork and employee wellbeing, with colleagues there enjoying amenities such as collaboration spaces, a training center, and a community center with fitness and dining facilities. Since the opening of the Denver office, we have also started to roll out the look and feel of the campus to other major Partners Group offices. To-date, we have completed refurbishments of our Shanghai, Tokyo and New York offices. In July this year, we broke ground at the 20,800 sqm campus we are building in Zug, which will incorporate the same industrial design principles. We expect construction of the campus to commence in October 2021 and doors to open to employees by summer 2024.

Last but not least, our business is not just about our investments, our clients and our employees; it is also about our other stakeholders, such as our portfolio company employees, and the environment we all share. Alongside our regular ESG work with portfolio companies, in the first six months of 2021, we continued to build out our Stakeholder Benefits Program. The program is aimed at systematically re-investing into our portfolio assets to create positive impact for employees and other stakeholders, ultimately building better, more sustainable businesses. We have pilot programs running at a number of our assets and have already received positive feedback from portfolio company employees involved in these programs, including during some of our recent exits. For example, key employees at GlobalLogic also benefitted from its sale to Hitachi as Partners Group had allocated them a share of equity to further align interests during the value creation phase.

We also continued to advance our efforts on the climate front in this first half of 2021, further implementing the Climate Change Strategy we launched last year across our firm and portfolio. Through our strategy, we have worked on carbon reduction initiatives across our firm and offset our key corporate GHG emissions since 2019. Furthermore, we sought and received external assurance for the calculation of these figures in 2020. We are also committed to achieving net zero carbon emissions across our organization and to managing our investment portfolio towards the Paris Agreement goals by latest 2050.

Looking ahead to the remainder of the year, we are confident in the strength of our platform and the potential we have for continued future growth. We remain committed to creating lasting, positive impact for all our stakeholders and thank you for your trust in our firm.

**Steffen Meister**
Executive Chairman

**David Layton**
Chief Executive Officer