Message from the Chairman and Co-CEOs

Christoph Rubeli, Steffen Meister, André Frei

We expect **longer-term investment** to become a meaningful proportion of total investment for the private markets industry.

Dear clients, business partners, shareholders and colleagues,

We have had a successful start to the year: clients entrusted us with EUR 6.2 billion in new commitments in H1 2018, with demand well-diversified across regions. Despite a challenging investment environment, we were able to invest a total of USD 7.7 billion on behalf of our clients in geographies and industry sectors that exhibit favorable relative value characteristics and in private markets assets that offered us attractive value creation opportunities.

In the first half of the year, revenues increased by 17% to CHF 659 million as a result of additional client demand and underlying portfolio realizations. EBITDA increased in line with revenues to CHF 437 million. In addition to these positive financial results, 2018 was also a period during which we reached a number of corporate milestones. On the investment side, we passed USD 100 billion in capital invested on behalf of our clients. Since our foundation 22 years ago, our dedication to long-term value creation at asset-level has generated substantial value for our clients and supported the financial success of the firm. At our IPO twelve years ago, we invited external shareholders to participate in the firm's investment success. In H1 2018, these shareholders for the first time valued our firm at a market capitalization of over CHF 20 billion, another corporate milestone. Our high standards of performance on ESG criteria have also been recognized by the public market and we were recently included in the FTSE4GOOD Developed Index, an index designed to facilitate investment into those top companies globally that meet high ESG standards.

From an investment point of view, we have already voiced our perspective on the substantially challenging environment and decreasing expected average industry returns several times. We have made it clear that we believe the days of private markets investors being able to acquire assets more cheaply than those in public markets are behind us; current comparable valuation levels in private markets versus public markets are indicative of a structural, not cyclical, shift in market dynamics.

To achieve attractive returns for clients in this environment, private markets investment managers have no option but to excel in their value creation capabilities. Here, private markets investment has a structural advantage: it is supported by a corporate governance regime that enables entrepreneurialism in its purest form. In contrast, in public markets, the requirement for companies to adhere to corporate governance codes and industry 'best practice' often seems to overshadow the need to direct and implement a value-enhancing strategy. For this reason, we anticipate that the relative outperformance of private markets against public markets will continue, even as asset prices have reached parity.

As a result, we are seeing private markets become a viable and even preferred long-term alternative to public markets – for investors, but also increasingly for companies themselves: many businesses that historically would have listed on a stock exchange as a natural next step in their corporate trajectory are instead choosing to stay under extended private markets ownership, due to its more entrepreneurial approach to governance. In turn, investment horizons within private markets are expanding to accommodate this new demand; we expect ten- to 15-year holds will not be uncommon in the future.

At Partners Group, we think the trend of private businesses shifting towards longer-term entrepreneurial ownership is here to stay and we expect such opportunities to become a

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meaningful proportion of total investment, not just for Partners Group, but for the private markets industry as a whole. Though there is no one-size-fits-all approach, for us, the ideal long-term value assets occupy category-leading positions in sectors with long-term visibility and demonstrate resilient business models with potential for growth. For these longer-term investments, our active value creation strategy becomes more transitional than transformative. Long-term value assets stand in contrast to those acquired in the majority of private markets transactions, which require a transformative investment within a more traditional private markets time horizon of four to eight years.

For a successful firm, it is important to keep evolving and succession is an important part of this. We recently announced an upcoming change in our Co-CEO office, with David Layton, Partner and Head of Private Equity, due to replace Christoph Rubeli as Co-CEO from 1 January 2019. David joined Partners Group early in his career and was instrumental in our private equity business becoming one of the leading practices globally. We are convinced that he, in partnership with André Frei, will fulfil his responsibility towards our clients, employees and shareholders by steering our firm to capture the opportunities available to us. Christoph will remain a Partner of the firm following the transition and will take significant responsibility for supporting the further build-out of the investment platform globally. The Board of Partners Group is very grateful for Christoph's important contributions to the firm as Partner and Co-CEO.

Looking ahead to the rest of the year, and taking into account the benign fundraising environment, we reconfirm our guidance of expected gross client demand of EUR 11-14 billion for the full-year 2018. On the investment side, though the environment is far from benign as noted earlier, we are on track to meet our targets for the full-year with our continued commitment to disciplined underwriting and significant value creation.

Thank you for your continued trust in us.

Steffen Meister
Executive Chairman

André Frei
Co-Chief Executive Officer

Christoph Rubeli
Co-Chief Executive Officer