Bastian Wolff Private Real Estate, **Pam Alsterlind** Co-Head Private Real Estate, **Nan Leake** Private Real Estate and **Alex Cho** Head Seoul

SUSTAINED GROWTH BACKED BY CONTINUED STABILITY

ANNUAL REPORT 2012

Partners Group
Passion for Private Markets

EVALUATING DATA TRAFFIC IN A TELECOMMUNICATIONS INVESTMENT

Reto Schwager Co-Head Investment Solutions Asia, **Benjamin Haan** Private Infrastructure, **Brandon Prater** and **Michael Barben** Co-Heads Private Infrastructure

KEY FIGURES

625 professionals

15 offices
around the world

EUR 28.6 billion
assets under management

1.37%
net revenue margin

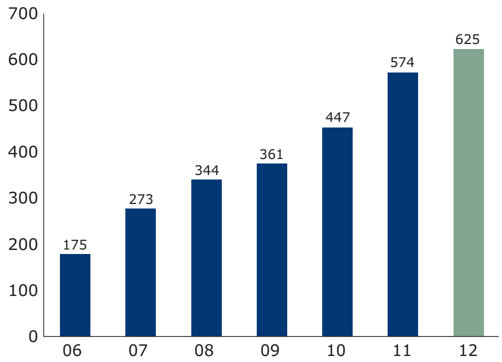
CHF 447 million
net revenues

CHF 275 million
EBITDA

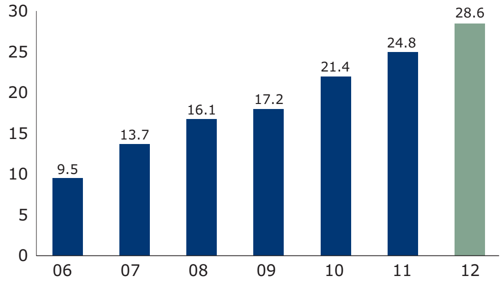
CHF 257 million
net profit

CHF 266 million
adjusted net profit

Number of professionals

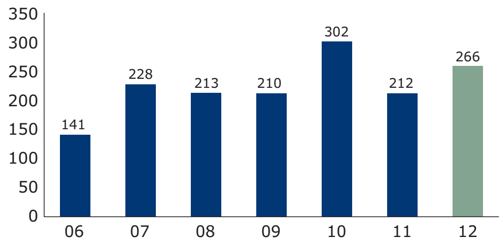


Total assets under management
(in EUR bn)

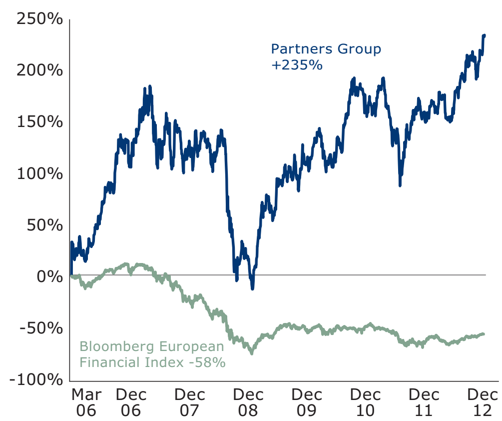


Note: assets under management exclude discontinued public alternative investment activities

Adjusted net profit
(in CHF m)



Share price development



	2011	2012
Average assets under management (in EUR bn, daily)	22.8	27.2
Net revenue margin[1]	1.23%	1.37%
Net revenues (in CHF m)	346	447
EBITDA margin	61%	61%
EBITDA (in CHF m)	212	275
Financial result (in CHF m)	26	26
Net profit (in CHF m)	202	257
Adjusted net profit (in CHF m)[2]	212	266
Cash and cash equivalents at end of year (in CHF m)	97	235
Shareholders' equity (in CHF m)	571	695
Return on shareholder's equity (ROE)[2]	39%	43%
Equity ratio[2]	89%	89%

[1] based on average AuM calculated on a daily basis
[2] adjusted for certain non-cash items relating to our capital-protected product Pearl Holding Limited

Share information as of 31 December 2012

Share price	CHF 211.20
Total shares	26'700'000
Market capitalization	CHF 5.6 bn
Free float[1]	69.96%
Diluted shares (weighted average)	25'946'209
Adjusted diluted earnings per share[2]	CHF 10.24
Dividend per share[3]	CHF 6.25
Dividend yield per share[3]	3.0%
Bloomberg ticker symbol	PGHN SW
Reuters ticker symbol	PGHN.S

[1] according to SIX Swiss Exchange definition
[2] adjusted for certain non-cash items relating to our capital-protected product Pearl Holding Limited
[3] as per proposal to be submitted to the annual general meeting of shareholders

Corporate calendar

2 May 2013	Annual general meeting of shareholders
11 July 2013	Pre-close announcement assets under management as of 30 June 2013
10 September 2013	Interim results and report as of 30 June 2013

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INVESTING IN THE EDUCATION SECTOR IN ASIA-PACIFIC

Cyrus Driver Private Equity Investments, **Andreas Baumann** Head Singapore and **Martin Scott** Head Sydney

MESSAGE FROM THE MANAGEMENT

Dear clients, business partners and fellow shareholders

In the current stagnating economy, we see a "great new value divide" emerging in all asset classes. Perceived and actual risks are diverging rapidly and the sustained flow of money towards assets that are erroneously perceived to be "safe" has pushed the risk premiums of these assets to historically low levels. With the flow of liquidity lifting asset prices globally, inflation is materializing in the form of a loss of purchasing power for real assets. This value divide is leading to what we believe is a compelling opportunity for private markets strategies, with their superior return potential more than compensating investors for the additional risk.

In seizing the opportunities with real value for our clients, we have invested a total of USD 4 billion in 2012, including 53 direct investments. We further saw solid underlying distribution activity of USD 3.7 billion across the entire portfolio, with more than 20 exits of direct investments throughout the year, while achieving successful returns for our clients' portfolios across the entire private markets spectrum of private equity, private real estate, private infrastructure and private debt.

The trust placed in us by our investors has again reinforced our commitment to our ultimate end clients - over 100 million beneficiaries around the globe. We are continually reminded that we are not only the stewards of their assets but also responsible for their dreams and thus for generating superior returns to ensure their pensions and savings will allow them to realize these dreams upon their retirement. We are therefore happy to report that our investments have demonstrated a net outperformance over the MSCI World of 9.7% p.a. since 2000, based on cash flows observed and commitments made consistently across all investment years.

Our purpose of investing, however, goes beyond the generation of superior returns for our clients. In our investment activities, we aim to create value for and in our portfolio companies while ensuring that we make sustainable and responsible investments for our society. In pursuing these goals, we have for example created over 16'000 jobs in our small and mid cap portfolio companies since our investment point in each of these companies until the end of 2012, helped them sensibly invest substantial resources into both R&D as well as into the development of their companies while additionally investing in real assets, such as the construction of research centers and hospitals.

Despite 2012 having been another challenging year for the global economy, we are very pleased to be able to look back on further success for our firm. Based on the solid investment performance we continued to achieve for our clients, we saw further inflows of EUR 4.9 billion for the year, at the upper end of the expected EUR 4-5 billion range. In parallel, adjusted net profit also grew, rising 25% as compared to 2011 to CHF 266 million in 2012. The board of directors is therefore pleased to propose an increased dividend of CHF 6.25 per share to our shareholders at the annual general meeting in May 2013.

Going forward, we will continue to expand on our investment platform to be able to identify opportunities in private markets to fulfill our responsibility towards our clients as well as remaining committed to being responsible global citizens. In conjunction with this, we will work on further reinforcing our relationships with clients as we see them reconfirming their focus on track record, size, stability and client servicing capabilities in their choice of investment manager. There is an increasing inclination by pension plans and other institutional investors to concentrate their private market investments through one or only very few globally leading managers who are able to deliver customized solutions for investment activities as well as additional value-enhancing services such as portfolio planning, investment level steering and related treasury management. This is a service which we refer to as our prime private markets platform, an all-encompassing solution for our most sophisticated clients. In pursuing the further build-out of our client services, we are pleased to rely on our global team of 625 employees in 15 offices, who live our purpose on a daily basis around the globe.

We are pleased to present you with a comprehensive overview of our business activities in 2012 and thank you for your continued trust.

Alfred Gantner
Executive Chairman

Steffen Meister
Chief Executive Officer

MONITORING A PORTFOLIO COMPANY'S DEVELOPMENT

Kelvin Yu and **Andrea Middel** Private Equity Investments, **Scott Higbee** Head Investment Solutions Americas and **Christoph Rubeli** Head Private Equity Directs

SUSTAINABLE GROWTH BACKED BY CONTINUED STABILITY

The "great new value divide"

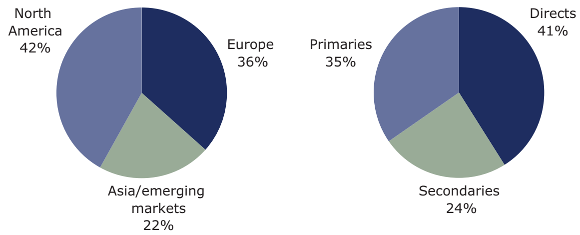
In the current low interest rate environment, investors are forced to look for yield in non-traditional areas in order to meet their return targets. At the same time as investors are searching for these returns, risk aversion remains elevated and investors are piling into perceived safety, pushing the risk premium of supposedly "safe" assets to historically low levels. As a result, the flow of "safe-haven-but-yield-chasing" liquidity has broken the link between perceived and actual risk and has resulted in large valuation gaps, which we call the "great new value divide". In this, perceived and actual risks diverge sharply, eventually leading to a drastic mispricing of risk.

Partners Group's investment platform invested a total of USD 4 billion in 2012. The lion's share was allocated to direct investments, which amounted to 41% (2011: 24%) of total investments in 2012, clearly reflecting the trend of increasing direct engagement within Partners Group's relative value assessment. The firm's professionals screened close to 3'000 direct investments to identify those which we believe offer real value and invested in 53 transactions around the world, of which eight were in private equity, eight in private real estate, four in private infrastructure, twelve in mezzanine and 21 in senior debt credits.

In the secondary market the firm analyzed a total deal flow of USD 89 billion and invested USD 1 billion in 2012. With banks and financial institutions being an important driver due to regulatory pressures, the firm expects secondary deal flow to remain at this elevated level. With the market showing some pricing pressure, Partners Group focused on assets at their inflection point where value can still be created and provided structuring solutions in complex transactions for the benefit of both sellers and buyers.

Investment activities remained broadly diversified across the globe. However, Partners Group placed a strong focus on solid companies with exposure to growth and/or technology markets.

Private markets investments 2012
(volumes, estimates)



Note: closed transactions

2012 also presented itself as a solid exit environment for the industry. Partners Group saw sustained underlying portfolio distribution activity during the year across all its asset classes, amounting to USD 3.7 billion and more than 20 direct investments successfully exited.

	2011	2012
AuM as of the end of the year (in EUR bn)	24.8	28.6
Average AuM (in EUR bn, daily)	22.8	27.2
Net revenue margin[1]	1.23%	1.37%
Recurring net revenue margin[1, 2]	1.13%	1.13%
Net revenues (in CHF m)	346	447
Recurring net revenues (in CHF m)[2]	317	370
EBITDA margin	61%	61%
EBITDA (in CHF m)	212	275
Net profit (in CHF m)	202	257
Adjusted net profit (in CHF m)[3]	212	266

[1] Based on average AuM calculated on a daily basis
[2] Recurring revenues are based on stable, long-term management fee and recur every year (excl. performance fee)
[3] Adjusted net profit is adjusted for certain non-cash items relating to our capital-protected product Pearl Holding Limited

2012 AT A GLANCE – REVIEW OF THE FINANCIAL PERFORMANCE

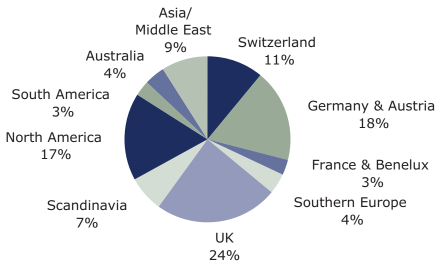
Assets under management

Strong client demand for private markets investments

Client demand in 2012 was driven both by Partners Group's track record as well as by the firm's breadth of investment platform and service capabilities. Overall, Partners Group has seen sustained client demand across its entire offering, resulting in 2012 asset inflows of EUR 4.9 billion (2011: EUR 4.2 billion) at the upper end of the expected range (EUR 4-5 billion). This was achieved despite the general fundraising environment in private markets having not materially improved, remaining at levels seen in 2010 and 2011.

Client demand was spread across the globe in all product lines as well as for tailor-made mandate offerings. The dominant regions were the UK, Germany and North America, contributing in aggregate about 60% of total client demand. In all of these regions, the motivation was largely the same – larger investors focus on global private markets solutions and are willing to forgo liquidity while benefiting from more attractive returns without increasing the risks beyond comparable public market segments. In addition, demand in Asia and the Middle East saw a sustained increase mainly driven by their more developed regions as well as larger institutions focusing on global private markets opportunities.

Regions
(in percentage of assets raised in 2012, estimates)



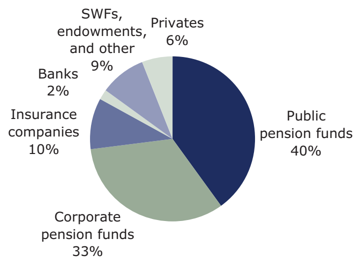
Note: excluding open-ended products and affiliated companies

Corporate and public pension schemes remained the most important driver of demand, contributing 73% of all 2012 inflows. With private markets outperforming global public equities in the recovery since the beginning of 2010, the confidence in less liquid segments has further increased and resulted in continually higher allocations. As regulatory pressures continue to require banks to implement new capital requirements (i.e. Dodd-Frank and Basel III), clients in this segment have become net sellers of private markets assets. This shift has however resulted in attractive investment opportunities on the secondary market.

Insurance companies amounted to 10% of total demand in 2012. While North American insurers become more active, only the most sophisticated, knowledgeable and largest insurers in Europe indicate growing allocations whereas smaller European insurance companies are still reluctant to invest in less liquid assets. The regulatory environment in Europe, especially through Solvency II, has in our view unfairly penalized private markets with significant capital underpinning, to the detriment of beneficiaries. However, large insurers could build their own model concerning the respective risk/return characteristics of private markets, which would reduce the required capital underpinning and further increase the attractiveness of private markets in general.

Last but not least, private clients contributed about 6% of new assets raised. New assets in this category mainly stemmed from North American distribution partner relationships which provide private market solutions to their High Net Worth Individuals (HNWI) clients.

Clients
(in percentage of assets raised in 2012, estimates)

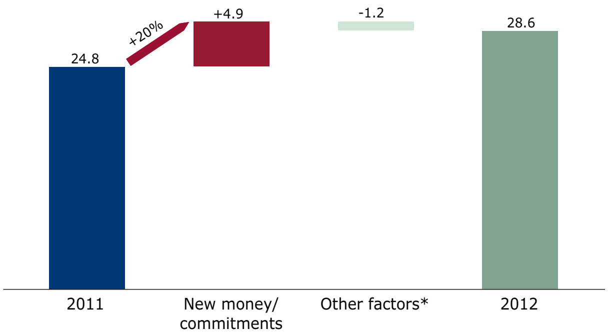


Note: excluding open-ended products and affiliated companies, including US retail product

2012 AT A GLANCE – REVIEW OF THE FINANCIAL PERFORMANCE

Although Partners Group saw growth of +20% in gross client demand, net assets under management (AuM) growth was however lowered by other factors totaling EUR 1.2 billion, comprising a variety of different effects. EUR 0.4 billion of this represents tail-down effects from older private markets programs, which are expected to increase in the years to come. A further EUR 0.3 billion was redeemed mainly from the firm's small listed practice although net growth materially exceeded outflows in listed investment activities, with for example listed infrastructure growing by 60% net in 2012. EUR 0.4 billion of the remainder relates to a number of Partners Group's long-standing structured products being repositioned to increase their focus on direct investments at the expense of some commitments. A large part of the effects from this repositioning have now been absorbed.

Total assets under management
(in EUR bn, estimates)



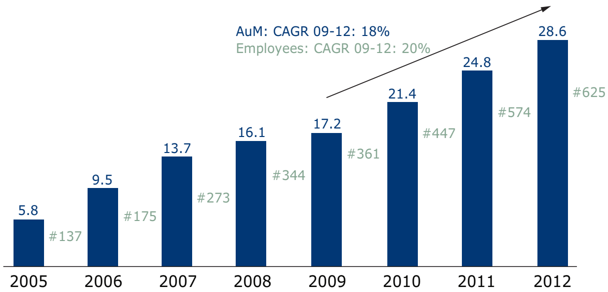
*Other factors consist of redemptions, currency effects, performance, tail-down and other investment program changes

As a result, total AuM as of 31 December 2012 stood at EUR 28.6 billion, representing a 15% increase. The breakdown of AuM as of 31 December 2012 is as follows: EUR 19.1 billion private equity, EUR 3.9 billion private real estate, EUR 2.5 billion private debt, EUR 2.3 billion private infrastructure and EUR 0.8 billion in affiliated companies. The firm further expects the global trend towards higher private markets allocations to continue and client demand to thus be sustained in the coming year and confirms expected asset inflows of EUR 4-6 billion for 2013.

Reliable performance over the past supports development

Since the global financial crisis in 2009, Partners Group has demonstrated sustained AuM growth of 18% p.a. This is mainly the result of its strong track record and service capabilities as well as its continuous investment in its global team, thereby strengthening the trust of existing as well as new clients in the firm's platform.

Total AuM and employee development
(in EUR bn, estimates)



Note: assets under management exclude discontinued public alternative investment activities

In line with increasing commitments from clients, Partners Group has continued to proportionately grow its team to benefit from the current investment environment while delivering attractive returns and best in class services. Total employees have grown by 20% p.a. since 2009 and the total number of employees as of 31 December 2012 stood at 625.

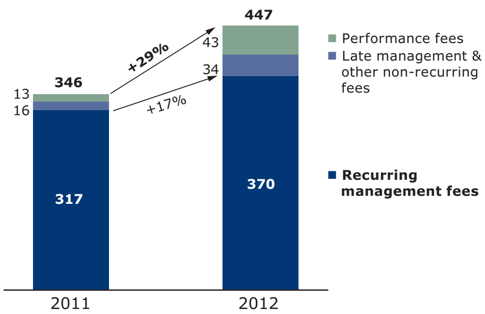
2012 AT A GLANCE – REVIEW OF THE FINANCIAL PERFORMANCE

Financial development

Management fees in line with AuM development; strong performance fees

Total average AuM in CHF increased by 16% in 2012. Recurring revenues stemming from management fees increased accordingly, rising 17% to CHF 370 million (2011: CHF 317 million). A substantial positive contribution came from performance fees of CHF 43 million (2011: CHF 13 million) resulting in 29% growth in total revenues which amounted to CHF 447 million in 2012 (2011: CHF 346 million).

Revenues
(in CHF m)

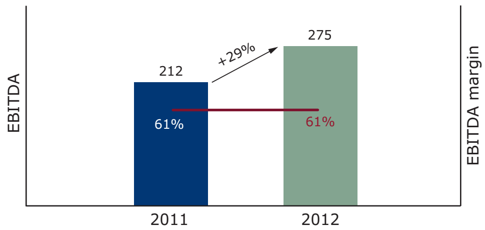


Partners Group's recurring revenue margin remained stable in the period at 1.13% (2011: 1.13%). Mostly as a result of the higher performance fees, the overall revenue margin increased to 1.37% (2011: 1.23%).

EBITDA in line with revenues; no foreign exchange impact

Partners Group continues to place a strong emphasis on disciplined cost management and new recurring costs have remained proportional to assets raised and in line with previous practice. This discipline resulted in a stable EBITDA margin of 61% (2011: 61%). EBITDA increased by 29% in 2012, and was thus in line with total revenue development, amounting to CHF 275 million (2011: CHF 212 million). This increase reflects the operational achievement of the firm as currency movements were limited during the year.

EBITDA and EBITDA margin development
(in CHF m)



Positive financial result unchanged

Partners Group's net financial result 2012 amounts to CHF 26 million (2011: CHF 26 million), in line with the result seen in the previous year. The net financial result consists of three line items: (i) net gains on own investments, (ii) net interest income and (iii) net foreign exchange result. Partners Group's investment programs again showed a positive performance during the full year 2012 resulting in net gains of CHF 17 million on Partners Group's own contribution to these programs (typically 1% of program size). Net interest income on the liquidity position of CHF 422 million on the firm's balance sheet (including working capital facilities to products provided by the group) again contributed CHF 9 million to the financial result. Finally, the net foreign exchange result was close to zero in 2012. As already communicated previously, Partners Group has decided to not enter into future revenue forward hedges.

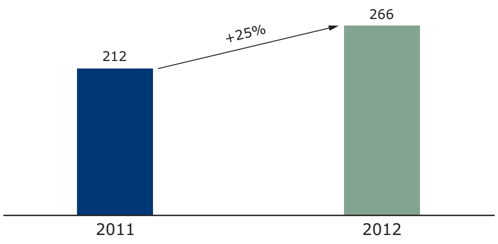
(in CHF m)	2011	2012
Net gains on investments	+19	+17
Net interest income	+9	+9
Net foreign exchange result	-3	0
Net financial result	**+26**	**+26**

2012 AT A GLANCE – REVIEW OF THE FINANCIAL PERFORMANCE

Bottom line follows top line

The adjusted net profit increased by 25% in 2012, standing at CHF 266 million (2011: CHF 212 million). This result follows total AuM, revenue and EBITDA development.

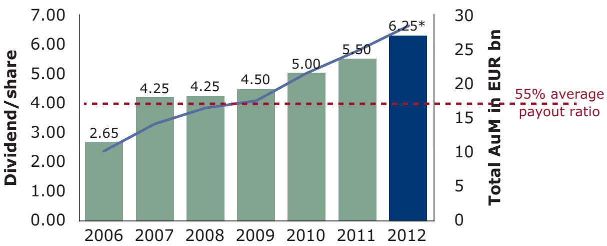
Adjusted net profit
(in CHF m)



Proposed dividend for the financial year 2012

Based on the further solid development of its business activities in all areas and a solid operating result, Partners Group's board of directors intends to propose a dividend of CHF 6.25 per share (2011: CHF 5.50 per share) to shareholders at the annual general meeting on 2 May 2013. This represents a dividend increase of 14%. Partners Group is committed to maintaining its dividend policy of distributing at least 50% of adjusted net profit. The total proposed payout of CHF 167 million corresponds to a 63% payout ratio and represents a dividend yield of 3.0% as of the share price of CHF 211.20 on 31 December 2012.

Dividend payments since IPO
(in CHF per share)



*Proposal by the board of directors to the AGM on 2 May 2013

Outlook

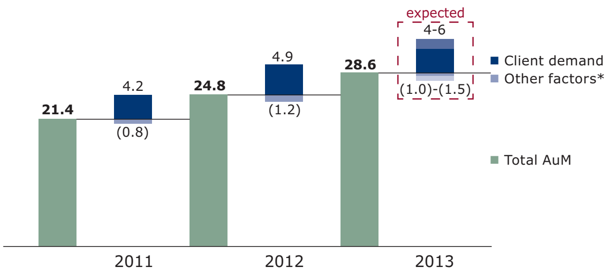
In the current environment, Partners Group believes pension funds and other investors are set to lose a significant amount of purchasing power over the course of a decade should they elect to stay in cash or fixed income. These investors will be required to invest in new segments.

However, the vast amount of liquidity in the system has inflated prices of select assets quickly, a process Partners Group describes as asset price inflation. Beginning in the bond markets, this development pushed through into core real estate and core infrastructure and finally into public equity markets as evidenced by last year's blue-chip rally, while traditional measures of inflation (the consumer price index) do not indicate any inflationary pressure yet.

In order to position client portfolios to protect against the development described above, Partners Group continuously invests in its team to secure future capabilities to identify the most attractive opportunities across the globe. Partners Group is of the opinion that its "glocal" investment approach has continued to be the right strategy to benefit from the great new value divide.

As a result, the firm expects future client commitments of EUR 4-6 billion in 2013. This gross client demand will likely be impacted by an expected EUR -1.0 to -1.5 billion in 2013 from other factors.

AuM, client demand and other factors
(in EUR bn, estimates)



*Other factors consist of redemptions, currency effects, performance, tail-down and other investment program changes

EVALUATING AN OPPORTUNITY IN THE HEALTHCARE FIELD

Robert Collins Investment Solutions Americas, **Fredrik Henzler** Co-Head Industry Value Creation and **Jennifer Haas** Private Equity Investments

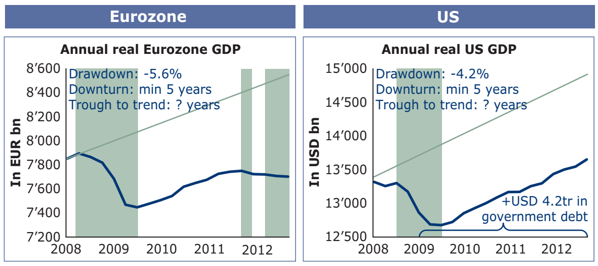
THE DESTRUCTIVE FORCE OF STAG-/"ASSETFLATION"

Looking at the macroeconomic environment and the investment decisions being made by financial market investors today, we fear that many did not learn from the mistakes which led to the 2007/08 global financial market crisis. We are convinced many long-term institutional investors are set to lose a significant amount of purchasing power and will have trouble meeting their future liabilities should they elect to not change their current asset allocation strategies.

This is not the first time in history that the world has found itself in a state of crisis. We have analyzed a number of major crises over the last 300 years and concluded that three different types of major crisis have emerged over the centuries. On the one hand, asset mispricings were seen in such crises as the Netherlands tulip mania of the 17th century or the US oil shocks of the 1970s. On the other, exogenous shocks were felt by the market caused by the 9/11 attacks. The current crisis, however, is what we call a structural or systemic crisis such as was seen in the US Great Depression or the lost decades in Japan, which have endured since 1991 to the present day. We found that for both asset mispricings as well as exogenous shocks, while they had a rapid and overwhelming impact on short-term GDP growth, the market returned to its period growth trend after not too long. We measured both the total GDP contraction from pre-crisis high to crisis low as well as the number of quarters in which we saw negative GDP growth in addition to the number of quarters until the loss in output was recaptured. While drawdowns after asset mispricings tended to last approximately one year with trend growth reached again within another year, after exogenous shocks this timeline was seen to be even shorter, with the economy suffering the drawdown and returning to trend growth all within one year in total.

However, we are in the midst of a structural crisis and history has shown that trend growth will not be recaptured any time soon, but we expect this to take ten years or more. We anticipated this stagflationary development for the first time in our Private Markets Navigator in the second half of 2009 while continuing to emphasize this view and our resulting recommendation of increasing investments in real assets in subsequent publications. In fact, we have already been in the current crisis for the past five years, and the charts below show both the Eurozone and the US are nowhere near returning to their pre-crisis trends.

Real vs. trendline GDP development



Note: shaded areas mark recessions or periods of negative growth; trend lines indicate OECD potential real GDP growth rates 2001-2007
Source: Bloomberg, January 2013; Eurostat, January 2013; OECD, 2012; IMF, October 2012; Partners Group calculations

The global economy now finds itself in our anticipated prolonged period of stagnation and we believe the economy has crossed a border in terms of leverage levels. With the system having totally overextended itself, the necessary deleveraging will not, however, be a short-term matter but require a longer time frame. As an example, we see that Japan has yet to return to any type of economic growth following its structural crisis of the early 90s, and what was originally coined the "lost decade" has now evolved into "lost decades" with no end in sight yet, while the loose monetary policy only further underlines the Japanese policy makers' inability to cure the crisis.

When looking at the indebtedness in the economies in the Western world, an unsettling scenario emerges as the entire Western world is clearly seen to have a systemic, structural issue with leverage and overindebtedness. The question that poses itself here is what measures are suitable for alleviating the structural problems and if these will be sufficient to return growth to its original path.

In contrast to the strategy pursued by Japan, central banks have fought the advanced world's economic malaise with an ongoing wave of unprecedented measures designed to resuscitate economic growth and repair dysfunctional markets. Since 2007, the major central banks (US Fed, ECB, Bank of England and Bank of Japan) have almost tripled their balance sheets to just under USD 9 trillion and cut target rates in time to historically low levels. We believe these measures were absolutely justified to keep the economy going, although they will not be enough.

In addition to the measures described above, governments have implemented austerity measures to help support the economy. However, there is a limit to what austerity can achieve, and finding the right level of fiscal discipline while avoiding social unrest and keeping the economy going is difficult. If we analyze the actions taken by the US administration during the Great Depression, we believe economists are in agreement that the cut in government spending by 25% is really what resulted in the Great Depression being so extensive and so long-term. Based on what we have learned from the past, overdoing austerity is likely to be lethal for an economy and finding the balance will be crucial.

Further to the challenges in finding the current balance, the impact of austerity on the global economy will be additionally exacerbated by the impact of the aging population. For instance, if we calculate the net present value of future committed healthcare spending, demographic developments as well as age-related spending, the US would have to set aside 200% of its GDP today in order to finance what they have planned. These effects will be felt all around the world, and if we start to not only look at where we find ourselves today in terms of debt-to-GDP but also take future liabilities into consideration the picture shifts noticeably. Although the situation is different depending on the country and may not be as bleak for certain nations as for others, we believe that in several cases, debt-to-GDP ratios will rise to a level that is absolutely not sustainable.

So what does this mean for global markets? In the current low interest rate environment, created by central banks' actions to combat the structural crisis, investors are forced to hunt for yield in non-traditional areas in order to meet their return targets. Coupled with the vast amount of liquidity central banks have injected in the course of quantitative easing, prices of select assets are quickly reflating; having begun in the bond markets, it continued on to affect core real estate and core infrastructure and finally hit public equity markets as evidenced by last year's blue-chip rally.

Asset price inflation

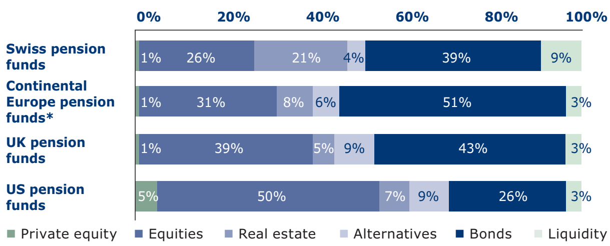
In public credit markets, effective yields have moved to historically low levels in a number of segments, with high-yield corporate bonds exhibiting even lower yields than in the economic boom of 2007. Similarly, we see prime buildings in London trading at cap rates around 3% – an astonishing half of the levels prevalent between 2002 and 2005 and at the levels last seen in the boom years 2006/2007 – with the spread between trophy assets in London and properties outside the capital city at long-term highs. In public equity markets, the significant index increases seen in 2012, with for instance the MSCI World (net total return in local currency) rising close to 20%, may be construed as a catch-up to previous levels – we are, however, convinced that this is a further sign of asset price inflation. The flow of excess liquidity is lifting asset prices globally, leading to asset inflation as house prices and equities steam upward.

While rising conventional inflation is not in imminent sight, inflation is materializing in the form of a loss of purchasing power for real assets – we call this asset price inflation. We currently see cash rapidly losing value, not in terms of the Consumer Price Index (CPI), but in terms of its value for investments across asset classes, in particular in asset classes' respective pockets of perceived safety. Further down the road, it will be questionable if central banks are successful in or willing to reduce the liquidity in time to avoid rising CPI inflation. The current negative real yields are certainly a herald of this danger and traditional inflation may accelerate as higher commodity prices trickle through into the real economy and inflation expectations become unanchored. In this global scenario, pension funds and other investors are therefore set to lose a significant amount of purchasing power over the course of a decade should they elect to stay in cash or fixed income.

Global pension fund allocations

Given these facts, the question that remains is how institutional investors position themselves in the current environment. When looking at the typical asset allocation of global pension funds, we see a strong overweight in bonds and cash, with these two positions making up close to 50% of the entire portfolio (e.g. 48% for Swiss pension funds, 54% for pension funds in Continental Europe and 46% for UK pension funds compared to only 29% for US pension funds). This split

Asset allocation across different investor segments



Source: Swisscanto Pension Fund Study, 2012; KPMG, 2011; Nacubo, 2011
*Netherlands

in asset allocation is substantially more defensive than what is required for the achievement of long-term target returns. However, this allocation is likely to be perceived as very safe by a pension fund facing the challenges of today's investment environment.

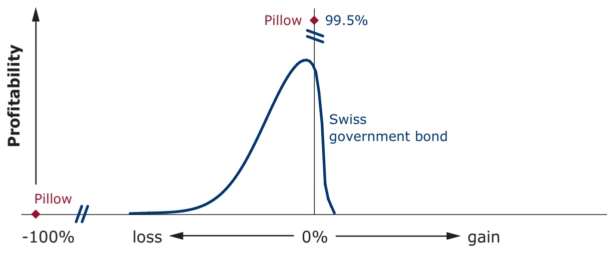
Nevertheless, we advise caution – what might feel safe is actually a very risky strategy. For instance, it is widely assumed that pension funds in developed countries with a low interest rate environment should aim to achieve returns of around 4-4.5% p.a. in the long term, sufficient to compensate for demographic trends as well as taking fees and other factors into account. However, considering current yield levels and general financial market conditions, Swiss pension funds for example currently hold portfolios resulting in a target return of 2-3%. Their defensive allocation is based on a heavy overweight to government bonds, corporate bonds and cash, which in aggregate represent close to 50% of their assets. As a result, with modern portfolio theory expressing risk as volatility, these investment strategies are considered safe. We argue that this portion of their portfolios is not expected to deliver any meaningful returns and thus, the risk of not meeting the required long-term return targets becomes substantial.

Is a "pillow" investment allocation any different?

Let us look at this from a different point of view and consider an experiment. In this, we compare bonds with a "pillow" investment strategy and demonstrate why this experiment is not as far-fetched as it seems: if defensive assets are ideal from an optimization point of view to achieve a pension fund's current return, why not put a portion of the assets "under one's pillow", so to say. In other words, invest a portion of one's assets in a safe place bearing no capital market risk whatsoever. Our pillow allocation model has two main risks – burglary or fire, both resulting in a 100% loss. Looking at a pillow allocation and its risk/return characteristics in their entirety, we conclude that allocating a portion of your total portfolio to this strategy returns 0% in most years but that, once in every 200 years you are either robbed or the house burns down, resulting in a 100% loss. This strategy thus has an overall expected return of -0.5% p.a. with a volatility of 7.1% p.a. and zero correlation to all other asset classes.

Let us now compare the characteristics of a government bond to our pillow allocation model. As an example of such an investment, a 10-year Swiss government bond currently yields 0.7% p.a. if held to maturity, with limited upside potential and a material downside risk should interest rates rise again. It then follows that the true return distribution of such a bond is in fact portrayed by the asymmetrical blue line in the chart below rather than by the symmetrical normal distribution – and is comparable to the return distribution of our pillow strategy, with both demonstrating limited upside.

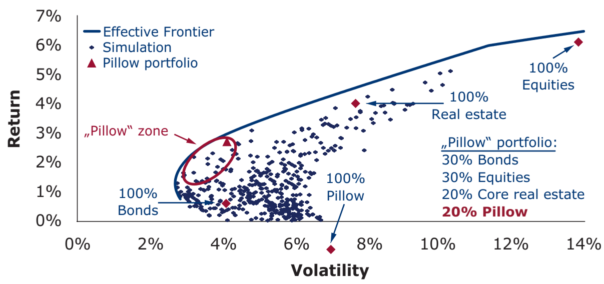
Limited upside and material downside



Source: Partners Group

Do we now recommend a sizable "pillow allocation" for pension funds? Running a portfolio optimization process shows that a pillow allocation strategy of e.g. 20% can positively diversify an overall portfolio based on its risk/return characteristics. It follows that a pillow allocation should theoretically be implemented into a pension fund's portfolio, as it is expected to lower a portfolio's volatility while giving up only little return, as shown in the "pillow" zone in the chart below. However, this argument is ultimately flawed as traditional portfolio optimization fails to capture asymmetrical distributions and defines risk as volatility.

Optimal portfolio and the pillow



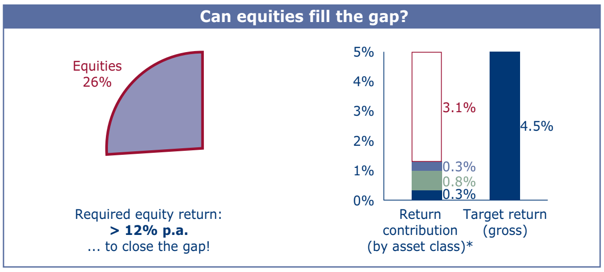
Source: Partners Group

Having concluded our experiment, we see that the flaw in our pillow allocation, which ultimately makes this proposed new asset class nonsense, also applies to the average pension fund portfolio due to its high allocation to bonds. While bonds certainly continue to make sense as part of an overall allocation, we argue that an over-allocation as currently seen in pension funds is just as unsuited to tackling the long-term return gap as our simple pillow allocation model. This is based on the fact that bonds share a number of the key characteristics of a pillow allocation, namely a low correlation to other asset classes, low volatility, a high downside risk stemming from our expectation of future inflation as well as, most importantly, limited or no upside on current levels.

Will public equities fill the return gap?

Given these facts, the question remains as to how pension funds will be able to fill the gap to reach their required target of 4-4.5% p.a.? In the chart below, we look at the overall allocation mix in a pension fund's portfolio while, in a first step, discounting the equity allocation. For the remaining asset classes, we multiplied the individual allocation levels with their respective target return. This leads us to conclude that these asset classes should – on an allocation-weighted basis – contribute a total of 1.4% p.a. to a Swiss pension fund's total portfolio return, leaving a return gap in the current interest rate environment of 3.1% p.a. Given our assumed target return, an average pension fund will have to find a way to close this gap in order to be in a position to meet future obligations.

Required returns for equities are high



*39% bonds with a 0.7% yield to maturity, 21% real estate with a 4.5% cap rate, 5% alternatives with an absolute return of 6%, remainder is cash
Source: Swisscanto Pension Fund Study 2012; Partners Group

To fill this gap, all that remains is our model pension fund's equity allocation. In the example above, this implies that Swiss pension funds will have to receive a return of over 12% p.a. from their equity allocations over the next five years, which is equivalent to their investments doubling in value every six years. While this is certainly possible, we question how realistic this scenario is, particularly over the long term. As a result, we believe radical action is required and that institutional investors such as pension funds will have to adopt a new asset allocation paradigm as they currently face a substantial risk of not being able to meet their future liabilities.

In the present environment, we are absolutely convinced that it is crucial to change the overall mix and diversify much more into real and private assets due to their attractive risk/return characteristics. Infrastructure investments for example, based on characteristics which are often comparable to those of a government bond, present ideal investment opportunities for the long-term investment horizon of a pension fund. A recent example we have closed on for our clients is the Carlsbad Desalination Plant in California, US. The plant will be located in San Diego and will utilize reverse osmosis technology to produce potable (drinking) water from seawater. A current overdependence on already stretched fresh water resources creates a need to build reliable and drought-proof sources and this plant aims to supply approximately 7% of the region's fresh water demand. Revenues are secured by a 30-year "take-if-delivered" Water Purchase Agreement with the San Diego County Water Authority, eliminating volume and price risk. The project also offers a predictable cash-flow profile and strong cash yield, with major costs structured as pass-through items and an average pre-tax cash yield of 14% during the first ten years of operation. Moreover, this investment carries limited counterparty risk as the San Diego County Water Authority is AA+ rated and this obligation will be considered an expense serviceable before debt obligations. With its attractive return potential, we believe this is a more productive investment than a German Bund or a US treasury bond. Going forward, pension funds will be well-advised to include such projects in their asset allocation to avoid falling into the long-term return gap.

How to deal with the challenges of a low interest rate environment?

We argue that private markets should stand alongside public markets assets within the individual categories rather than being included in the alternative investments category. Furthermore, overall allocations to private markets assets should also be increased within their respective investment category as we have found there to be dramatic differences in the achievable returns in private versus public markets. Despite this type of investment coming with higher fees and requiring the investor to be locked in for a number of years, the superior return potential more than makes up for the additional illiquidity, in particular for long-term investors such as pension funds. Since 2000, Partners Group's investments have demonstrated a net outperformance over the MSCI World of 9.7% p.a. based on cash flows observed over the last decade and commitments made consistently across all investment years.

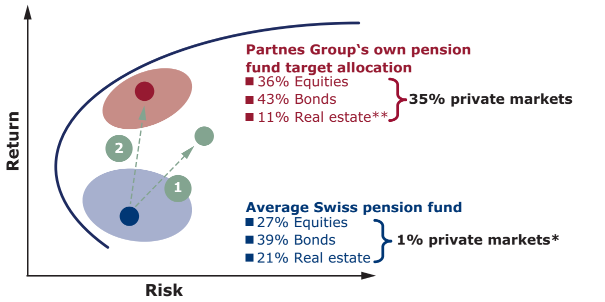
However, a pension fund cannot only focus on investment returns but should also emphasize its overall asset-liability profile. We nevertheless believe that, especially in the light of regulations such as Solvency II, the various aspects are not fully taken into account and pension funds may overcompensate in certain areas. In fact, we question how much short-term liquidity is really required for a pension fund. It seems to us that many pension systems, for the sake of liquidity and safety, have taken the safe and sure path into underfunding and ultimate collapse.

The average pension fund is therefore highly advised to act upon the current situation and adopt a new asset allocation paradigm. As we have already elaborated on above, it is likely not realistic that public equities will generate the long-term performance of over 12% required to close the return gap in a portfolio with around a quarter allocated to public equities and an allocation to bonds and cash of close to 50%. Thus, we believe a pension fund has two options for improving its risk/return profile to ensure it is able to meet its future obligations. On the one hand, it can choose the option of reducing its public bond allocation and increasing its allocation to public equities, which should augment expected returns while however also significantly increasing risk. On the other hand, a second option is the substantial inclusion of private markets investments alongside public markets assets within the individual categories while also increasing overall allocations to equities, which should only marginally increase risk while significantly enhancing return expectations.

As an example, Partners Group's own pension fund follows a strategic asset allocation which includes 35% in private markets strategies alongside public markets assets within the individual categories. This is by no means our recommendation for all pension funds, but this strategic allocation shows a significantly improved return profile while adding close to no risk as compared to the average Swiss pension fund.

To summarize, both options should offer the benefit of increasing return expectations. However, there are material differences in the overall risk profile. Following an investment strategy with a higher allocation to private markets the overall risk/return profile of the portfolio is expected to improve and return expectations should rise without drastically increasing risk.

Attractive risk/return profile possible



1 **Put more capital to work** (reduce bonds, increase public equities)
2 **Replace public with private strategies** (add private markets)

*excludes core private real estate, **includes 5% private infrastructure
Source: Partners Group illustration; Bloomberg

We further see that a higher private markets allocation is an investment strategy also implemented by larger institutional investors worldwide. For example, looking at the long-term performance of larger North American endowments, pension funds or investors with significant private markets allocations, we identify a sustained outperformance against a 60/40 stock/bond portfolio over a 10-year time horizon.

Long-term outperformance of institutional investors with a large private markets allocation

Returns p.a. (June 2012)		Allocation to private markets	5-year	10-year	Outperformance to 10-year balanced
Benchmark	60/40 stock/bond portfolio*	0%	0.2%	3.9%	0.0%
Endowments	Harvard Management Company Endowment	16%	1.2%	9.5%	5.6%
	Yale Endowment	35%	1.8%	10.6%	6.7%
Pension fund	Canada Pension Plan**	37%	2.2%	6.3%	2.4%

*MSCI World TR/World Government Bond Index, **as of 31 March 2012
Source: Bloomberg, January 2013; annual report endowments; Canada Pension Plan

The general trend towards increased private markets allocations is intact. Clients continue to focus on track record, size, stability and client servicing capabilities in their choice of investment manager. At the same time, they increasingly look to concentrate their private market investments through one or only a very small number of globally leading managers who are able to deliver the required performance as well as create customized solutions. Partners Group is convinced it will be able to benefit from this trend while ultimately helping millions of beneficiaries plan for a safe and comfortable future.

DISCUSSING THE MERITS OF A MEZZANINE INVESTMENT

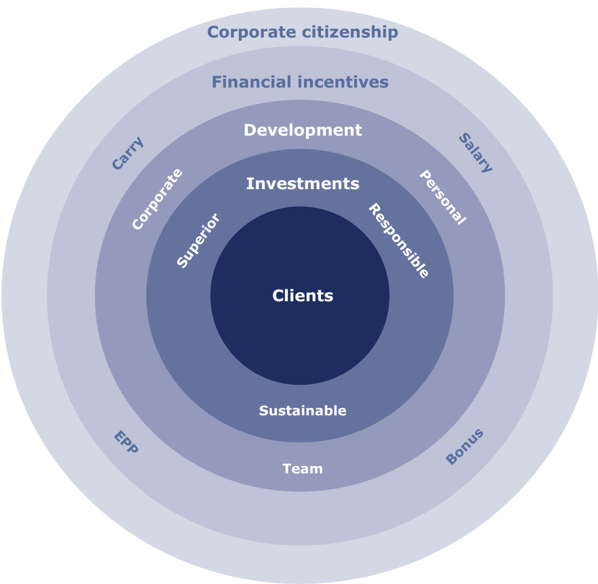
René Biner Head Private Finance, **Scott Essex** Private Debt, **Manuel Martiny** Investment Solutions Europe and **Juri Jenkner** Co-Head Private Debt

WE ARE RESPONSIBLE GLOBAL CITIZENS

Our passion for being responsible global citizens is as strong as our "passion for private markets". We strive to make a positive contribution to society and the environment and pledge to respect the interests of our clients, employees and shareholders in all our activities.

Our **Environmental, Social and Corporate Governance (ESG)** considerations are embedded in all that we – both as a firm and as a group of individuals – do on a daily basis. This includes our ultimate responsibility towards our over 500 clients, and in particular towards the more than 100 million beneficiaries who are our end clients. Beyond being good and responsible corporate citizens, we also aim to make responsible investments. For instance, our active portfolio of small and mid cap companies have created over 16’000 jobs since our investment point in each of these companies until the end of 2012. In addition, we have saved over 190’000t[2] of CO_2 with our investments in the development of wind and solar projects around the globe, such as Sorgenia France or the construction of Thailand’s first-ever wind farm. Our beliefs are illustrated in the wheel of purpose, which reminds us of our daily purpose.

The wheel of purpose



In the center stand our end clients – a sign of their utmost importance in all that we do. For our pension fund beneficiaries we believe that we, as a firm, are responsible for making a contribution to their financial independence as they look to their retirement in the near or distant future. We see our responsibility in generating attractive returns to help their pensions allow them to realize their dreams in that stage of their lives. Furthermore, we uphold the same responsibility towards all other clients – our ultimate goal is to actively generate value in their investment portfolios.

This fundamental belief is the core to our business and we strive to make the best investments and realize superior returns in a sustainable and responsible manner. While investing responsibly, we are convinced we can build stronger and more valuable businesses. With ESG considerations as the three main areas of ethical concerns, we believe that the integration of these into investment management processes and ownership practices will have a positive impact on financial performance.

We view ESG legislation and codes of practices as a minimum standard in our industry and aim to exceed industry benchmarks. Having actively promoted socially responsible investing for many years, we have acknowledged the ten key principles of the United Nations Global Compact in our investment processes since 2006. We have further been a signatory of the United Nations Principles of Responsible Investment (PRI) since 2008, and were among the first private markets managers to recognize this initiative developed by an international group of institutional investors, reflecting the increasing relevance of ESG matters to investment practices. The PRI encompasses six principles endorsed by the United Nations and defined as a set of voluntary, best-practice standards for asset owners and investment managers seeking to incorporate ESG considerations into their investment decision making and ownership practices. We are delighted to have seen others in our industry follow the same path and to witness the high level sustainability awareness stands at today.

We believe that corporate responsibility should not only be applied at the corporate level, but are committed to responsibility at all levels of our activities. We thus continuously try to improve and enhance the effectiveness in implementing ESG considerations throughout each asset class and strategy.

Creating value through ESG

As a private markets investor, we are focused on providing all-encompassing solutions in this asset class for our clients and believe that, by virtue of our position as owners of our portfolio companies, our industry is in a better position than many others to drive positive change in ESG identification and management through active ownership. Given the long-term perspective and the focus on sustainable growth and operational development inherent to private markets, we believe that applying ESG criteria to investments can positively impact the performance of investment portfolios in the long term, and hence we actively encourage portfolio companies to adhere to ESG matters and improve their performance in this area. Social responsibility is embedded into our investment process and we address ESG elements throughout the investment analysis and the decision-making process as well as after the investment is made.

This begins with a thorough investment selection process and continues with an analysis in our investment due diligence process to identify potential opportunities for value creation. These can include cost savings through, for instance, the implementation of sustainable practices (such as recommending the use of video conferencing systems for meetings and thus reducing business travel), revenue enhancement through initiatives such as the implementation of sustainability features or risk management such as reduced operational risks through the better management of a portfolio company's environmental footprint. After an investment is made, investment professionals actively support our portfolio companies and programs as they monitor and manage ESG concerns and implement improvements. Implementing better ESG frameworks, often through board seats, should ultimately generate value in our portfolio companies and thus achieve superior returns for our clients.

Responsible investing at the individual asset level

Our responsible investment policy includes all private markets asset classes and socially responsible investing standards are incorporated into our private markets due diligence processes early on. ESG factors are considered in investment proposal documents through a mandatory socially responsible investing (SRI) checklist. Along the entire investment cycle, we ensure that ESG considerations are systematically identified, evaluated and actively addressed. We continuously try to improve and enhance the effectiveness in implementing ESG considerations throughout each asset class and strategy. An investment committee will not recommend any investment for which it is known that a company or investment partner will act in direct contradiction to the PRI and/or breach applicable legislation in the respective jurisdiction(s). The investment committee can decline an investment solely due to non-compliance with ESG issues.

For instance, we were offered the opportunity to acquire a leading producer and distributor of camouflage products for military and special police forces. While the company's products are not considered weapons and are applied to protect military personnel, policemen and policewomen, our investment committees still decided to decline the opportunity over concerns surrounding the broader sub-industry exposure.

Also, a pan-African private equity primary investment was declined by the investment committee due to ESG criteria. The general partner originally invested in South Africa but was interested in expanding across other parts of Africa. The newly proposed investment strategy included investments in the energy and resource industries in West Africa. The investment committee declined the investment due to various concerns, including environmental impact as well as potential risks to labor and human rights.

On the other hand, a more in-depth look can reveal that ESG criteria are upheld very well by a possible investment opportunity. For a private real estate investment, the team examined the social implications of office construction and residential development. In an environmental assessment this large, recently constructed office asset was shown to have the highest sustainability rating used in the industry. Based on the positive investment assessment as well as the ESG review, the investment committee approved the asset and the investment was completed.

The overall investment decision making and responsibility lies with the investment committees. Before a final investment decision is taken, the investment committee confirms that the transaction complies with the SRI policy. Each final investment decision is signed by the committee members; with their signatures, the committee members confirm that the transaction complies with our internal ESG investment policy.

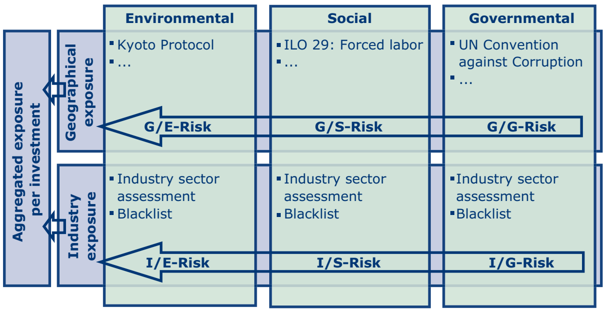
In situations where added expertise is required, we may engage third-party service providers. For instance, as part of an investment into a US natural gas-fuelled power plant, a phase I environmental site assessment was carried out by a specialized environmental engineering and consulting company and reviewed by a company which focuses on scientific, engineering, systems integration and technical services and solutions. Recommendations on potential environmental issues were provided, which were incorporated into the construction plan. With regard to emissions, the power plant is a state-of-the-art facility that meets or exceeds state and federal emission standards.

However, our investment process does not end once an investment has been executed. We believe that the monitoring of existing investments and an active ownership approach is an important component of the overall due diligence process and integral to successful investing. As an active private markets investor and through our board representation we strive to actively contribute to a portfolio company's development. As a responsible investor, this includes introducing ESG activities, highlighting ESG concerns as well as recommending disclosure on ESG matters from portfolio companies, assets and programs.

For instance, within our primary practice, we are on the advisory board of one of our investment partners and have participated in suggesting a number of ESG improvements, which include committing to avoid investing in companies that deny human rights, demonstrate non-compliance with environmental regulations, use chemicals or risk water and air pollution and/or engage in bribery or corruption, for example.

During an investment holding period, we continue to ensure an ongoing alignment with ESG considerations. Each investment is automatically assessed against the below framework based on the geographical and industry profile arising from its operations.

ESG framework



Note: Environmental, social and governance criteria for assessing geographical and industry exposure for investments with NAV USD >10m
Source: Partners Group

The framework of geographical and industry exposure as well as the environmental, social and corporate governance categories are broken down into tangible criteria for each respective item. This modular and consistent set-up allows us to efficiently and transparently assess our portfolio. The inputs to the framework are based on mutually accepted international conventions and protocols as well as official studies. The framework further includes a vocabulary blacklist to improve the screening process as well as an industry assessment list. While this approach is still subject to on-going improvements, we believe that a comprehensive and integrated approach will support the future development of our firm.

Overall, we believe that we have been successful in making an impact, both within our firm as well as for our investments on a global scale, leading to growth and the attainment of superior returns. Fulfilling our responsibility to society while being able to generate attractive returns for our clients makes us proud and reinforces our commitment to and belief in ESG considerations.

Responsible citizenship at the corporate level

Beyond our investment management practices as described above, as a responsible global citizen, we are committed to upholding high standards of environmental, social and corporate governance and remain committed to improving our approach to implementing sustainable practices within all aspects of the firm. We have implemented several processes and structures to ensure a sustainable and long-term environmental, social and corporate governance structure, aligning our interests with those of our clients and employees.

Committed to strong corporate governance

Our corporate governance structure is based on the "Swiss Code of Best Practice for Corporate Governance" issued by economiesuisse and the "Directive on Information relating to Corporate Governance" issued by the SIX Swiss Exchange. With entities regulated in various jurisdictions, including the Swiss Financial Market Supervisory Authority (FINMA), the US Securities and Exchange Commission (SEC) and the UK Financial Services Authority (FSA), we further uphold the requirements that these regulations imply.

In terms of defined roles, checks and balances, the board of directors is responsible for the firm's corporate governance and is entrusted with the ultimate strategy and direction as well as the supervision of the management. The board of directors consists of six members and is comprised of the three co-founders and three external board members. The board of directors has established various committees to promulgate and monitor related directives and policies.

The board of directors has delegated the firm's day-to-day management to the executive board, which is comprised of the CEO, CFO and COO of the firm along with the heads of all business departments, ensuring an independence of the board of directors from the day-to-day management of the company. The general counsel typically attends all executive board meetings to ensure compliance with legal and regulatory requirements. The risk and audit committee coordinates financial reviews as well as internal and external audits while the nomination and compensation committee is responsible for the composition of the board as well for the firmwide nomination and remuneration policy. In addition, potential conflicts of interest, including those relating to investment or allocation decisions, are referred to our conflict resolution board. This body includes the executive chairman, CEO, CFO and general counsel of the firm.

Under the leadership of the chief risk officer, we have established appropriate processes and procedures regarding risk management in accordance with the risk control framework. Furthermore, a dedicated portfolio and risk management team, independent of the investment teams, is primarily responsible for measuring and managing investment risks throughout these processes. It is also responsible for managing portfolio risks throughout the lifetime of private markets portfolios to ensure adherence to investment guidelines and portfolio strategies and to limit portfolio risks.

With these structures, we are convinced our corporate governance is set up well to meet the challenges of running a firm in today's environment and ultimately, will benefit the long-term stability of our company. We believe defining and implementing the correct structure remains a crucial component in achieving sustainable, superior returns for our clients.

Living our responsibility towards our employees

We believe our employees are our most important asset and the core of our success. We are committed to building long-term, trust-based relationships with clients, business partners and shareholders as well as within the company and employee continuity over time is crucial to our success. We place strong emphasis on the recruitment and retention of the right employees, and strive to create an attractive workplace where people enjoy working and grow professionally. Within our firm, we are committed to building and growing a diverse workforce and to fostering a work environment that is based on respect, dignity and fairness.

To this end, a strong and united corporate culture is key for successful employee retention. As our name implies, we recognize the importance of employees being able to participate directly in the business development and the financial success of the company. This spirit of entrepreneurship is an essential part of our corporate culture and, through the vision of the three founders, Partners Group has today grown into an entrepreneurial organization, where professionals at all levels across the firm become entrepreneurs themselves and live up to the promise of "passion for private markets". We are an independent company, with a major ownership by employees. This ownership fosters a culture based on personal responsibility and initiative, which is a foundation for uncompromising client service while forming the core of our mission statement. This structure ensures that our professionals identify themselves as active Partners Group stakeholders, triggering their dedication and motivation.

We are as committed to furthering education in young, promising people as ever and are convinced this will have a positive impact on shaping the entrepreneurs of the future. One of our main areas of focus remains education and training. Our in-house program offers a variety of different initiatives in the areas of education and training, with the most important of these being the associate program. Through this program, we hire and internally train many of our investment professionals who have joined the firm from all around the world.

The associate program is aimed at refining core skills and furthering industry knowledge while identifying participants' individual skill sets. In the associate program, participants gain exposure to different areas of our business activities through a rotational system, which includes rotations in various global offices. The program, in which participants typically spend 12-24 months, allows them to broaden their knowledge and to build an extensive network within the firm before being assigned to their specific teams. We additionally offer apprenticeships and internships for young professionals at the beginning of their careers.

In addition to training young professionals, we pride ourselves on the quality of our training programs and team members across the entire firm invest their time and knowledge to ensure that these run smoothly and are beneficial to the participants. Furthermore, we support the further education of our more senior professionals such as the CFA, etc., thus ensuring that they are offered the opportunity to deepen their professional knowledge should they so desire. Finally, we are also strongly committed to coaching all our team members on a continuous basis to further their professional and personal development. Partners and senior professionals have committed themselves to setting aside time each week which is solely dedicated to coaching both their junior team members as well as other employees within the firm. We place a strong emphasis on coaching by feedback as we believe that receiving input based on concrete completed tasks is an ideal format for providing constructive suggestions.

We are additionally involved in furthering education outside Partners Group. To this end, we work together with many globally leading universities (such as Harvard University, University of St Gallen etc.) and collaborate with them on research or other efforts. As we are committed to sharing our industry expertise and knowledge with future private markets practitioners, a number of our team members regularly lecture at a number of institutions dedicated to higher education.

CDP

As we consider our firm as well as its individual employees directly responsible for protecting our environment we have voluntarily participated in the CDP since 2008, an independent, not-for-profit organization which holds the largest database of corporate climate change information in the world. CDP has today become the leading standard for carbon methodology and process while providing comprehensive climate change data to the global marketplace.

In addition, our clear goal is to be carbon neutral in our business activities. While we cannot completely avoid emissions in our daily activities, we compensate these through investing in environmentally friendly ventures. Determining the amount of our greenhouse gas emissions in the CDP has allowed us to establish the level of investment required to neutralize these. As a firm, we have invested a substantial amount into our global resources/clean environment product, which will go exclusively towards investments in sustainable, green projects geared at improving our environment.

Partners Group IMPACT

We understand that we are more fortunate than others in this world and feel a civic responsibility towards helping where we can. In the interest of harnessing our collective efforts for the greater good, Partners Group IMPACT is an endowment which fosters entrepreneurial activity with the goal of helping people around the world achieve sustainability and independence.

While using the Partners Group network in the most productive manner, Partners Group IMPACT targets the creation of significant, measurable and self-sustainable improvements in people's lives through providing help in receiving training or advanced education as well as the means for realizing business concepts. The Partners Group IMPACT charity board, which is made up of Partners Group team members, reviews proposals based on a number of criteria. Firstly, the project must support individuals in reaching autonomy through fostering entrepreneurship and independence. Secondly, projects are required to have a personal connection with the firm and the broader Partners Group family network. A third crucial aspect is the establishment of long-term sustainability for individuals through the projects supported and funded by Partners Group IMPACT. Finally, Partners Group IMPACT prioritizes projects which to the largest part can be financed and sustained over time solely through our support without requiring additional funding from third parties.

Partners Group IMPACT has so far financed 22 different projects on four continents with funds raised from employees and the firm itself and has positively impacted the lives of over 5'000 people. Two examples of recent projects supported are:

Construction of a coconut water processing plant, Guyana

This project was introduced by Markus Pimpl, a Senior Vice President in the investment solutions business department in Zug, through a friend of his in Germany who works with the Eerepami Regenwaldstiftung Guyana and as a project leader of the coconut processing plant.

Almond Beach is an Amerindian community located on the Waini Sea coast in Guyana, accessible only by river and the Atlantic Ocean. With a population of only 190 people, the main source of income is fishing, employment with the Guyana Marine Turtle Conservation Society and subsistence agriculture. The community also has the biggest coconut plant in the region, which has been in operation for over 15 years. While they have been selling coconuts to intermediaries for a number of years, they began to enhance revenues by selling copra (dried coconut meat) and have identified a source of additional revenue in also extracting and selling the coconut water directly to mainland markets by circumventing intermediaries.

PG IMPACT has participated in this project by donating the funds to build the coconut water bottling plant and purchase the necessary equipment for the factory. The building is an instrumental part of the project since it provides for a clean working environment and enables villagers to work sheltered from the heat of the day and heavy rains during the rainy season. The plant will be a wooden construction with a metal roof, located on community land and owned by the community.

The direct beneficiaries of this project will be the villagers, both those who will be employed at the processing plant as well as the coconut farmers who will be able to sell coconuts to the plant. However, the whole community will also be indirect beneficiaries as all income gains from the project will be used for community development purposes such as the school, retirement benefits, healthcare and the payment of university fees for members of the community. The management of the coconut bottling plant will be a community effort. With the individual coconut water production cycles only expected to last five days each, short employment contracts will be available to villagers and thus many will have the opportunity for part-employment in the plant. During every production cycle it is expected to process approximately 4'000 coconuts which would yield around 2'000 liters of coconut water. While offering many villagers the opportunity to work in the plant, this is also beneficial as the relatively short commitment during the production cycles will enable them to continue with their normal duties such as subsistence farming. The coconut water production will be especially beneficial to women by opening employment opportunities to them since the physical requirements are moderate in comparison to other available local jobs such as coconut harvesting, boat building or lumbering.

This project fits in ideally with the PG IMPACT goal of fostering entrepreneurship while ensuring longer-term sustainability. Through this plant, the villagers of Almond Beach will receive further opportunities for employment while the plant also supports the community as a whole.

Safe Spaces Cybercafé, Kenya

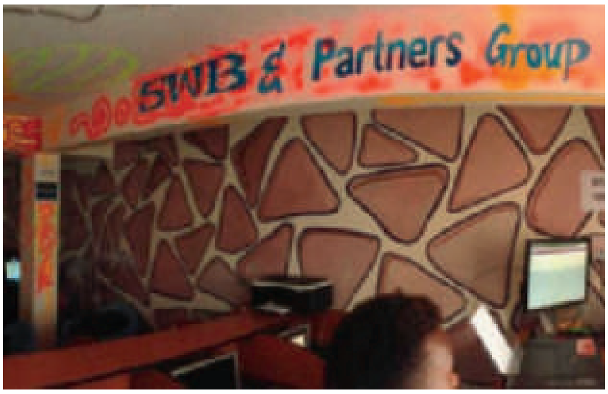
This project was brought to the attention of PG IMPACT by a Partners Group alumnus, whose brother founded Schools Without Borders (SWB), a charitable organization that supports a global network of grassroots educators and learning communities, and is based in Toronto, Canada. The Cybercafé is run by Safe Spaces, which is a female-led, not-for-profit organization in partnership with SWB. Stephan Rogger, a member of the information technology team in the Zug office, recently travelled to Nairobi to help set up the Safe Spaces Cybercafé and provide IT schooling for some of the women in the Safe Spaces program.

Safe Spaces is a charitable organization which was founded in partnership with SWB by Peninah Nthenya, who is the current Director of Space Spaces. The Safe Spaces organization was launched in 2008 as a female-led initiative in the Eastland Slums of Nairobi to provide a meeting place for women to visit and learn. Safe Spaces has since expanded into four African countries, twelve communities and has impacted over 5’000 women. Safe Spaces programming ranges from sexual health and HIV/AIDS education to arts-based and vocational training initiatives. Safe Spaces’ options for providing access to computer technology and the advantages this can offer were severely limited and thus a need for expanding this area was identified.

PG IMPACT’s loan financed an internet café in Nairobi run by Safe Spaces with the objective of promoting education through computer literacy and job opportunities, while providing a direct community impact. In addition to providing the financing, PG IMPACT also

donated the computer hardware, and 25 of Partners Group’s computers were shipped to Nairobi. The objective is that the internet café becomes self-sustainable within 1.5 years and a repayment of the loan is anticipated after four to five years. This project is educational at all levels: women learning basic skills, community members accessing information, young women learning the technical skills of computer maintenance and business management.

On his recent trip, Stephan Rogger spent ten days in Nairobi. His primary focus was on optimizing the set-up of both the computer hardware as well as the café in general, and he was able to identify a number of options for improving the users’ experience. In addition, he was able to offer the women enrolled in Safe Spaces’ programs specialized computer lessons focused on developing skills that will aid them in their future job searches.



This project corresponds with the PG IMPACT goal of developing sustainable solutions to further education within a community and ultimately helping to develop entrepreneurship.

DISCUSSING AN OPPORTUNITY IN THE INDUSTRIALS VERTICAL

Jürgen Diegruber, Claudia Petersen and **Roy Baumann** Private Equity Investments and **Erik Gunnervall** Investment Solutions Europe

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF THE AUDITORS

REPORT OF THE AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

KPMG AG
Audit Financial Services
Badenerstrasse 172
CH-8004 Zürich

Postfach
CH-8026 Zürich

Telefon +41 58 249 31 31
Telefax +41 58 249 44 06
Internet www.kpmg.ch

Report of the Statutory Auditor on the Consolidated Financial Statements to the General Meeting of Shareholders of

Partners Group Holding AG, Baar

As statutory auditor, we have audited the accompanying consolidated financial statements of Partners Group Holding AG, which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and notes (pages 33 to 106) for the year ended 31 December 2012.

Board of Directors' Responsibility

The board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2012 give a true and fair view of the financial position, the results of operations and cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

REPORT OF THE AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

KPMG

Partners Group Holding AG, Baar
Report of the Statutory Auditor
on the Consolidated Financial Statements
to the General Meeting of Shareholders

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Christoph Gröbli *Licensed Audit Expert* *Auditor in Charge*	Thomas Dorst *Licensed Audit Expert*

Zurich, 8 March 2013

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CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

In thousands of Swiss francs	Note	2012	2011
Revenues from management and advisory services, net	**7**	441'099	343'099
Share of results of associates	**18**	5'989	3'386
Third party services	**8**	(4'711)	(2'442)
Personnel expenses	**9**	(137'554)	(104'986)
General and administrative expenses		(21'013)	(17'714)
Marketing and representation expenses		(9'241)	(8'871)
Depreciation, amortization and impairment losses	**16&17**	(19'764)	(16'032)
EBIT		**254'805**	**196'440**
Change in fair value of derivatives arising from insurance contract	**26**	204	(1'191)
Net finance income and expense	**10**	25'727	25'655
Profit before tax		**280'736**	**220'904**
Income tax expense	**11**	(23'331)	(18'667)
Profit for the period		**257'405**	**202'237**
Profit for the period attributable to:			
Shareholders of Partners Group Holding AG (net profit)		257'280	202'086
Non-controlling interest		125	151
Basic earnings per share (Swiss francs)	**28**	10.15	7.99
Diluted earnings per share (Swiss francs)	**28**	9.92	7.75

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

In thousands of Swiss francs	2012	2011
Profit for the period	**257’405**	**202’237**
Other comprehensive income:		
Exchange differences on translating foreign operations	(3’613)	(2’801)
Other comprehensive income for the period, net of tax	**(3’613)**	**(2’801)**
Total comprehensive income for the period, net of tax	**253’792**	**199’436**
Total comprehensive income attributable to:		
Shareholders of Partners Group Holding AG	253’667	199’285
Non-controlling interest	125	151

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2012 AND 2011

In thousands of Swiss francs	Note	2012	2011
Assets			
Cash and cash equivalents	**12**	234'653	96'669
Marketable securities	**13**	4'140	2'297
Trade receivables	**14**	44'380	30'350
Other receivables	**14**	1'864	3'852
Prepaid expenses, derivative assets	**14**	15'297	7'619
Short-term loans	**15**	187'322	213'558
Total current assets		**487'656**	**354'345**
Property and equipment	**16**	19'395	16'971
Intangible assets	**17**	38'429	49'796
Investments in associates	**18**	6'126	3'853
Other investments	**19**	221'085	210'979
Other financial assets	**20**	88'779	88'384
Deferred tax assets	**21**	2'933	872
Total non-current assets		**376'747**	**370'855**
Total assets		**864'403**	**725'200**
Equity and liabilities			
Liabilities			
Trade payables		16'419	12'532
Income tax liabilities		8'361	20'583
Accrued expenses	**22**	49'220	34'803
Other current liabilities	**23**	3'038	710
Total current liabilities		**77'038**	**68'628**
Employee benefits	**25**	1'102	84
Derivatives arising from insurance contract	**26**	82'611	83'470
Provisions		3'094	–
Deferred tax liabilities	**21**	4'657	1'307
Other long-term liabilities		342	234
Total non-current liabilities		**91'806**	**85'095**
Total liabilities		**168'844**	**153'723**
Equity			
Share capital	**27**	267	267
Treasury shares		(206'704)	(205'111)
Legal reserves	**27**	218	218
Other components of equity		900'902	775'298
Equity attributable to shareholders of Partners Group Holding AG		**694'683**	**570'672**
Non-controlling interest		876	805
Total equity		**695'559**	**571'477**
Total equity and liabilities		**864'403**	**725'200**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

In thousands of Swiss francs				Other components of equity					2012
	Share capital	Treasury shares	Legal reserves	Translation reserves	Retained earnings	Total other components of equity	Attributable to share-holders of the parent	Non-con-trolling interest	Total
Balance as of 1 January 2012	267	(205’111)	218	(51’170)	826’468	775’298	570’672	805	571’477
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners:									
Purchase of treasury shares		(228’785)				–	(228’785)		(228’785)
Disposal of treasury shares		227’192			(12’594)	(12’594)	214’598		214’598
Share-based payment expenses					17’955	17’955	17’955		17’955
Tax effect resulting from equity-settled transactions					5’822	5’822	5’822		5’822
Non-controlling interest changes					9	9	9		9
Dividends paid to shareholders					(139’255)	(139’255)	(139’255)	(54)	(139’309)
Total contributions by and distributions to owners	**–**	**(1’593)**	**–**	**–**	**(128’063)**	**(128’063)**	**(129’656)**	**(54)**	**(129’710)**
Total comprehensive income for the period, net of tax									
Profit for the period					257’280	257’280	257’280	125	257’405
Other comprehensive income:									
Exchange differences on translating foreign operations				(3’613)		(3’613)	(3’613)		(3’613)
Total other comprehensive income, net of tax	**–**	**–**	**–**	**(3’613)**	**–**	**(3’613)**	**(3’613)**	**–**	**(3’613)**
Total comprehensive income for the period, net of tax	**–**	**–**	**–**	**(3’613)**	**257’280**	**253’667**	**253’667**	**125**	**253’792**
Balance as of 31 December 2012	**267**	**(206’704)**	**218**	**(54’783)**	**955’685**	**900’902**	**694’683**	**876**	**695’559**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011 - CONTINUED

In thousands of Swiss francs				Other components of equity					2011
	Share capital	Treasury shares	Legal reserves	Translation reserves	Retained earnings	Total other components of equity	Attributable to share-holders of the parent	Non-con-trolling interest	Total
Balance as of 1 January 2011	267	(283'720)	218	(48'369)	903'135	854'766	571'531	701	572'232
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners:									
Purchase of treasury shares		(420'589)				–	(420'589)		(420'589)
Disposal of treasury shares		492'218			(172'632)	(172'632)	319'586		319'586
Equity-settled acquisition of subsidiary		6'980			(390)	(390)	6'590		6'590
Share-based payment expenses					16'645	16'645	16'645		16'645
Tax effect resulting from equity-settled transactions					4'844	4'844	4'844		4'844
Non-controlling interest changes					8	8	8		8
Dividends paid to shareholders					(127'228)	(127'228)	(127'228)	(47)	(127'275)
Total contributions by and distributions to owners	**–**	**78'609**	**–**	**–**	**(278'753)**	**(278'753)**	**(200'144)**	**(47)**	**(200'191)**
Total comprehensive income for the period, net of tax									
Profit for the period					202'086	202'086	202'086	151	202'237
Other comprehensive income:									
Exchange differences on translating foreign operations				(2'801)		(2'801)	(2'801)		(2'801)
Total other comprehensive income, net of tax	**–**	**–**	**–**	**(2'801)**	**–**	**(2'801)**	**(2'801)**	**–**	**(2'801)**
Total comprehensive income for the period, net of tax	**–**	**–**	**–**	**(2'801)**	**202'086**	**199'285**	**199'285**	**151**	**199'436**
Balance as of 31 December 2011	**267**	**(205'111)**	**218**	**(51'170)**	**826'468**	**775'298**	**570'672**	**805**	**571'477**

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

In thousands of Swiss francs	Note	2012	2011
Operating activities			
Profit for the period		257’405	202’237
Adjustments:			
Share of results of associates	**18**	(5’989)	(3’386)
Net finance (income) and expense	**10**	(25’727)	(25’655)
Income tax expense	**11**	23’331	18’667
Depreciation of property and equipment	**16**	5’835	4’628
Amortization of intangible assets	**17**	12’118	11’404
Impairment losses on intangible assets	**17**	1’811	–
Share-based payment expenses	**9**	17’955	16’645
Change in fair value of derivatives arising from insurance contract	**26**	(204)	1’191
Change in fair value of assets held in experience account		(680)	(1’191)
Change in provisions		3’094	–
Change in employee benefits assets/liabilities	**25**	1’018	911
Gain/(loss) on derivatives		700	9’450
Other non-cash items		(1)	69
Operating cash flow before changes in working capital		**290’666**	**234’970**
(Increase)/decrease in prepaid expenses, derivative assets and short-term loans, trade and other receivables		6’202	(83’453)
Increase/(decrease) in trade payables, accrued expenses and other current liabilities		20’724	(14’068)
Financial expenses (other than interest) paid		(440)	(866)
Cash generated from operations		**317’152**	**136’583**
Income tax paid		(28’500)	(11’973)
Net cash provided by operating activities		**288’652**	**124’610**

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011 – CONTINUED

In thousands of Swiss francs	Note	2012	2011
Investing activities			
Change in marketable securities		(777)	(2’505)
Proceeds on disposal of property and equipment		–	1
Purchase of property and equipment	**16**	(8’213)	(14’348)
Purchase of intangible assets	**17**	(3’245)	(6’114)
Proceeds on disposal of other investments	**19**	39’006	19’143
Purchase of other investments	**19**	(36’564)	(31’945)
Acquisition of subsidiary, net of cash acquired	**5**	–	(2’498)
Change in other financial assets		(2’308)	(612)
Interest received	**10**	11’893	11’863
Dividends received		3’733	3’556
Net cash from/(used in) investing activities		**3’525**	**(23’459)**
Financing activities			
Interest paid	**10**	(463)	(2’176)
Dividends paid to non-controlling interest		(45)	(39)
Dividends paid to shareholders	**27**	(139’255)	(127’228)
Purchase of treasury shares		(228’785)	(420’589)
Disposal of treasury shares		214’598	319’586
Net cash used in financing activities		**(153’950)**	**(230’446)**
Net increase/(decrease) in cash and cash equivalents		**138’227**	**(129’295)**
Cash and cash equivalents as of 1 January	**12**	96’669	226’572
Foreign exchange gains/(losses) on cash and cash equivalents		(243)	(608)
Cash and cash equivalents as of 31 December	**12**	**234’653**	**96’669**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

1. REPORTING ENTITY

Partners Group Holding AG (the Company) is a company domiciled in Switzerland whose shares are publicly traded. The address of the Company's registered office is Zugerstrasse 57, 6341 Baar-Zug. The consolidated financial statements for the years ended 31 December 2012 and 2011 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates. The consolidated financial statements were authorized for issue by the Board of Directors (BoD) on 8 March 2013 and are subject to approval at the annual general meeting of shareholders on 2 May 2013.

The principal activities of the Group are described in note 6.

The consolidated financial statements present a true and fair view of the Group's financial position, results of operations and cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements are presented in Swiss francs, rounded to the nearest thousand. The figures referred to in text passages are actual figures either rounded to the nearest Swiss franc or shown in million Swiss francs unless otherwise stated. The statements are prepared on the historical cost basis, except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments at fair value through profit or loss.

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments concerning carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period or in the period of the revisions and future periods, if the revision affects both current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

The BoD performed an assessment of the risks to which the Group is exposed to at its meeting on 30 November 2012. The risk management covers in particular the strategic and business risks, operational risks, financial risks (see note 4) as well as reputational risks. The BoD has taken into consideration the internal control system designed to monitor and reduce the risks of the Group for its assessment.

2.2 Changes in accounting policies

The accounting policies adopted for the year ended 31 December 2012 are consistent with those of the previous financial year presented in this report, except where new or revised standards were adopted prospectively, as indicated below.

2.2.1 Standards, amendments and interpretations effective in 2012

The following new and revised standards have been early adopted for the financial year beginning 1 January 2012:
- IFRS 10, "Consolidated Financial Statements",
- IFRS 12, "Disclosures of Interests in Other Entities",
- IAS 27 (as revised in 2011), "Separate Financial Statements" and
- IAS 28 (as revised in 2011), "Investments in Associates and Joint Ventures".

IFRS 10, "Consolidated Financial Statements": IFRS 10 was issued in May 2011 and replaces the guidance on control and consolidation in IAS 27, "Consolidated and separate financial statements" and SIC-12, "Consolidation – special purpose entities". Full retrospective application is required in accordance with the transition provisions of the standard, unless impractible, in which case the Group applies it from the earliest practicable date.

IFRS 12, "Disclosure of Interest in Other Entities": IFRS 12 was issued in May 2011 and provides disclosure requirements on interest in subsidiaries, associates, joint ventures and unconsolidated structured entities.

IAS 28, "Investments in Associates and Joint Ventures" was amended in May 2011. The revised standard prescribes the accounting for investments in associates and joint ventures.

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that is applicable to all investees; among other things, it requires the consolidation of an investee if the Group controls the investee on the basis of de facto circumstances.

In accordance with the transitional provisions of IFRS 10, the Group re-assessed the control conclusion for its investees at 1 January 2012. The Group concluded that it is an agent in accordance with IFRS 10 working on behalf of the investors in all investment programs which were in prior years subsumed under SIC-12 and not consolidated. Consequently, they are not consolidated in accordance with IFRS 10 and the change of accounting policy had no significant impact on the consolidated financial statements of the Group.

The following revised or amended standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2012, but are currently not relevant for the Group (they may have an impact on the accounting for future transactions and events of the Group):
- IAS12 (amended), "Income Taxes": Deferred Tax – recovery of underlying assets, and
- IFRS 7 (amended), "Financial Instruments: Disclosures" – transfer of financial assets.

2.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and might be relevant for the Group, but have not been early adopted

The following new and revised standards and interpretations have been issued by the date the consolidated financial statements were authorized for issue, but are not yet effective and are not applied early in these consolidated financial statements. Their impact on the consolidated financial statements of the Group has not yet been systematically analyzed. The expected effects as disclosed in the table below reflect a first assessment by the Group management.

Standard / Interpretation		Effective date	Planned application by Partners Group
New standards or interpretations			
IFRS 9, "Financial Instruments" and related amendments to IFRS 7 regarding transition	***	1 January 2015	Reporting year 2015
IFRS 13, "Fair Value Measurement"	*	1 January 2013	Reporting year 2013
Revisions and amendments of standards and interpretations			
IAS 19, "Employee Benefits" (amended 2011)	****	1 January 2013	Reporting year 2013
Presentation of Items of Other Comprehensive Income (amendments to IAS 1)	***	1 July 2012	Reporting year 2013
Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32)	*	1 January 2014	Reporting year 2014
Disclosures - Offsetting Financial Assets and Financial Liabilities (amendments to IFRS 7)	**	1 January 2013	Reporting year 2013
Annual improvements 2009 - 2011 cycle	*	1 January 2013	Reporting year 2013

* No significant impact is expected on the consolidated financial statements of the Group
** Mainly additional disclosures or changes in the presentation are expected in the consolidated financial statements of the Group
*** The impact on the consolidated financial statements of the Group cannot yet be determined with sufficient reliability
****Impact is expected on the consolidated financial statements of the Group and explained below

The revised IAS 19 standard eliminates the corridor method that is currently applied by the Group. In the future, all changes in the present value of the defined benefit obligation and in the fair value of the plan assets will be recognized in the financial statements immediately in the period they occur. Any movements in actuarial gains and losses will be recognized through other comprehensive income. The Group will apply this change in accounting policy retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", affecting both the net defined benefit liability in the consolidated balance sheet and the amounts recognized in the consolidated income statement. On 31 December 2012, the unrecognized actuarial gain of the Group amounted to CHF 1.3 million. Upon adoption of IAS 19 revised, this amount will be recognized in equity. Unrecognized past service cost will also be recognized in full.

In addition, the revised standard specifies the presentation of the changes in the net defined benefit liability. Service costs and net interest on the net defined benefit liability are recognized in the consolidated income statement, whereas the remeasurement of the net defined benefit liability is recognized in other comprehensive income. Currently, all recognizable changes, including the recognized part of the actuarial gains and losses under the corridor method, are recognized in the consolidated income statement.

Under the revised version of IAS 19, the defined benefit expenses recognized in the consolidated income statement will consist of the service costs and the net interest cost based on the net defined benefit liabilities. The net interest costs will be based on the discount rate used to discount the obligation.

Had IAS 19 revised been applied for 2012, total defined benefit expenses would amount to CHF 2.7 million compared to total benefit expenses of CHF 2.4 million under the current standard. The total benefit expense under IAS 19 revised consists of service costs of CHF 2.7 million and net interest costs of CHF 0.0 million. The net interest costs consist of interest cost on the obligation of CHF 0.8 million and interest income on plan assets of CHF 0.8 million, both calculated based on the discount rate used to discount the employee benefit obligations.

2.3 Basis of consolidation

(a) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company (its subsidiaries). The Company controls an investee (entity) if and only if the Company has all the following:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- ability to use its power over the investee to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement, or IFRS 9 Financial Instruments, or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(b) Accounting for acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners, and therefore no goodwill is recognized as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Non-controlling interests are shown as a component of equity in the balance sheet and the share of the profit attributable to non-controlling interest is shown in profit or loss.

(c) Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (see note 2.13).

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in other comprehensive income. The cumulative post-acquisition movements are included in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.4 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' gross segment results are reviewed regularly by the Group's BoD to make decisions about resources to be allocated to the segment for which discrete financial information is available and to assess its performance.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Swiss francs.

(b) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Swiss francs at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Swiss francs at the applicable foreign exchange rates for the dates the fair value was determined.

(c) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Swiss francs at foreign exchange rates applicable at the balance sheet date. The revenues and expenses as well as cash flows of foreign operations are translated to Swiss francs at average rates.

Foreign currency translation differences are recognized in other comprehensive income, and presented in the translation reserves in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interest. When the disposal or partial disposal of a foreign operation results in losing control or significant influence over an entity (i.e. the foreign operation) the cumulative amount in the translation reserve (related to the specific foreign operation) is reclassified to profit or loss as part of gain or loss on disposal.

When the partial disposal of an interest in a subsidiary that includes a foreign operation does not result in a change in control, the relevant portion of the cumulative amount (in the translation reserve) is re-attributed to non-controlling interest. When the partial disposal of an interest in an associate that includes a foreign operation results in retaining significant influence, the relevant portion of the cumulative amount is reclassified to profit or loss.

(d) Applied foreign currency rates

The Group applied the following currency rates against Swiss francs:

Year	Currency	Balance sheet rate	Average rate
2012	EUR	1.2072	1.2052
	USD	0.9147	0.9377
	GBP	1.4856	1.4861
	SGD	0.7488	0.7507
2011	EUR	1.2168	1.2330
	USD	0.9381	0.8866
	GBP	1.4589	1.4215
	SGD	0.7237	0.7048

2.6 Accounting for derivative financial instruments and hedging activities

The Group uses derivative financial instruments to economically hedge its exposure to foreign exchange risks arising from financing and investment activities. The Group does not hold or issue derivative financial instruments for trading purposes.

Derivatives are recognized initially at fair value and attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value. The fair value of forward exchange contracts is the present value of the quoted forward price.

2.7 Revenue recognition

Revenue comprises the fair value of the sale of services, net of value-added tax and rebates and after eliminating sales within the Group. Revenue is recognized as follows:

- On-going investment management and advisory fees including all non-performance related fees are recognized when they are earned, based on the specific contracts.
- Performance fees are only recognized once the likelihood of a potential future claw-back is not considered meaningful anymore in the assessment of the Group.
- No revenue is recognized if there are significant uncertainties regarding the recovery of consideration due or associated costs.

2.8 Expenses

(a) Leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. Lease incentives are recognized in the income statement as an integral part of total lease expense. The majority of the Group's lease expenses results from rent agreements, especially office space rent agreements.

(b) Net finance income and expense

Net finance income and expense comprises interest income and expense, dividend income, gains and losses on revaluations of held for trading and fair value through profit or loss instruments, foreign exchange gains and losses, and gains and losses on derivative financial instruments that are recognized in the income statement.

Interest income is recognized in the income statement as it accrues, using the effective interest method. Dividend income is recognized in the income statement on the date the entity's right to receive payments is established, which in the case of quoted securities is usually the ex-dividend date.

2.9 Income tax expense

Income tax expense for the period comprises current and deferred tax. Income tax expense is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized directly in equity.

Current income tax relates to the expected taxes payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to taxes payable in respect of previous periods.

Deferred income tax is recognized, using the balance sheet liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts included in the consolidated financial statements. The following temporary differences are not considered in accounting for deferred taxes: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that their reversal is not probable in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted as of the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash on hand, call deposits held with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.11 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost, less impairment losses. An impairment loss on trade receivables is recognized when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

2.12 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement in the financial period in which they are incurred.

Depreciation of assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

– Buildings	30 years
– Interior fittings	5–10 years
– Office furniture	5 years
– Equipment and IT fittings	3 years

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see note 2.15).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the income statement.

2.13 Intangible assets

(a) Goodwill

Goodwill arises upon the acquisition of subsidiaries and is included in intangible assets.

The Group measures goodwill at the acquisition date as the total of:

- the fair value of the total consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus - if the business combination is achieved in stages - the fair value of the existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities (including contingent liabilities) assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortized but tested annually for impairment.

With respect to associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

(b) Software

Acquired software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Software recognized as an asset is carried at cost less accumulated amortization and impairment losses.

(c) Placing expenses

In the course of its business, the Group selectively uses placement agents to place some of its investment structures. The cost paid to such agents in relation to the amount placed is recognized as an asset in accordance with IAS 18 Appendix §14 b) (iii), since such expenses represent incremental costs, which are directly attributable to securing an investment management contract.

(d) Cost of initial put option

In 2006 the Group entered into an agreement with Swiss Re with regards to the extension of the term of the convertible bond issued by Pearl Holding Limited (“Pearl”) from 30 September 2010 to 30 September 2014 and an increase of the redemption amount of the bond from EUR 660 million to EUR 712.8 million. In this context, the Group had committed to invest an additional EUR 33 million into the existing experience account until 30 September 2010 to provide for further security. The payment of the discounted amount of EUR 28.5 million was made in 2006. The Group’s risk associated with its exposure as policyholder for Pearl is still limited to the value of the experience account (see note 20). The additional committed amount of EUR 28.5 million is amortized using the straight-line method over the extension period from 1 October 2010 to 30 September 2014 (see note 17 and note 26).

(e) Client contracts

Client contracts, which the Group acquired and are recognized as assets, have a definite useful life. Such intangible assets are carried at cost less accumulated amortization and impairment losses.

(f) Subsequent expenditure

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(g) Amortization

Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and other intangible assets with an indefinite useful life are tested at least annually for impairment as per the balance sheet date. Intangible assets with a determinable useful life are amortized from the date they are available for use.

The estimated useful lives are as follows:

– Software	3 years
– Placing expenses	3–5 years
– Cost of initial put option	4 years
– Client contracts	3 years
– Other intangible assets	5 years

2.14 Investments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading. Financial instruments may be designated as at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not quoted in an active market and in respect of which there is no intention of trading. They are included in current assets (trade and other receivables, see note 2.11), except for amounts with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets (other financial assets).

(c) Recognition and measurement

Purchases and sales of investments are recognized on the settlement date – the date on which the financial asset is delivered to the entity that purchases it. Investments are initially recognized at fair value plus, in the case of financial assets not carried at fair value through profit or loss, transaction costs. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement in the period in which they arise.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair values by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis refined to reflect the issuer's specific circumstances. Regarding further explanations in connection with the determination of fair value please refer to note 4.6.

2.15 Impairment of assets

(a) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables at both a specific asset and a collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(b) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.16 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost.

2.17 Provisions

Provisions are recognized when: (i) the Group has a present legal or constructive obligation as a result of past events; (ii) it is more likely than not that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated.

If the effect is material, provisions are determined by discounting the expected future cash flows at the pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2.18 Employee benefits

(a) Pension obligations

Group companies operate various pension schemes. The schemes are funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The benefits paid to employees in Switzerland qualify as a post-employment defined benefit plan.

The asset or liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets and 10% of the defined benefit obligation are spread to income over the employees' expected average remaining working lives.

Past service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

When the actuarial calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service cost and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense when they are due.

(b) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period until the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

2.19 Share capital

(a) Ordinary shares

Ordinary shares are classified as equity since the shares are non-redeemable and any dividends are discretionary.

(b) Issuance of new shares

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

(c) Repurchase of share capital and options

Where any Group company purchases the Company's issued shares, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, re-issued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(d) Distribution of dividends

The distribution of dividends to the Company's shareholders is recognized as a liability in the consolidated financial statements when the dividends are approved by the Company's shareholders.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future and exercises judgment in applying its accounting policies. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as well as significant judgments in applying accounting policies, are discussed below.

(a) Accounting for investment programs

The Group assessed its involvement with the investment programs that it advises to determine whether it has control over them (see note 2.3). In accordance with IFRS 10, the Group assessed its power over the investment programs, its exposure or rights to variable returns and its ability to use its power to affect its returns. The assessment determines whether or not the Group acts as an agent on behalf of the investors in the investment programs and within delegated decision-making rights.

In its assessment the Group focused on the exposure to the total economic interest which is a combination of the stake the Group has in an investment program and the Group's remuneration for its activities with regard to an investment program. IFRS 10 does not provide clear-cut thresholds and the Group took all facts and circumstances into consideration. The Group concluded that it acts as an agent for all investment programs that it advises. For detailed information on and carrying amounts of the investment programs please refer to note 19.

(b) Fair value

A significant portion of the Group's assets and liabilities are carried at fair value. The fair value of some of these assets (including marketable securities) is based on quoted prices in active markets or observable inputs.

In addition, the Group holds financial instruments for which no prices are available and which have little or no observable inputs. For these instruments, the determination of fair value requires subjective assessment and varying degrees of judgment depending on liquidity, concentration, pricing assumptions, the current economic and competitive environment and the risks affecting the specific instrument. In such circumstances, valuation is determined based on management's judgment about the assumptions that market participants would use in pricing the asset or liability (including assumption about risk). These instruments include derivatives, private equity, private debt, private real estate and private infrastructure investments as well as other assets.

The Group applies control processes to ensure that the fair value of the financial instruments reported in the consolidated financial statements, including those derived from pricing models, are appropriate and determined on a reasonable basis.

These control processes include the review and approval of new investments, review of profit and loss at regular intervals, risk monitoring and review, price verification procedures and reviews of models used to estimate the fair value of financial instruments by senior management and personnel with relevant expertise who are independent of the trading and investment functions.

(c) Revenue recognition

The Group describes its policy of revenue recognition in notes 2.7 and 7. Although the application is straightforward, instances may arise where the Group has to decide whether a revenue should be recognized or not. This mainly relates to performance fees, which are foreseeable, but have not yet been distributed to the Group or are subject to claw-back. Performance fees are only recognized once the likelihood of a potential future claw-back is not considered meaningful anymore in the assessment of the Group.

(d) Derivatives arising from insurance contracts

The Group entered into an agreement with Swiss Re to act as policyholder in connection with the insurance of the extended amount of the convertible bond issued by Pearl Holding Limited (refer to notes 2.13, 17 and 26). As explained in note 26, the Group has a maximum exposure of the value of the assets contained in the corresponding experience account.

When determining the value of its effective exposure (which may be lower than the aforesaid assets), the Group applies the Black-Scholes model. However, some of the parameters are subject to estimation and may differ from the final result.

4. FINANCIAL RISK MANAGEMENT

4.1 Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk (including currency risk, interest rate risk and price risk).

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The BoD has overall responsibility for the establishment and oversight of the Group's risk management framework. The BoD has established the Risk and Audit Committee ("RAC"), which is responsible for developing and monitoring the Group's risk management policies. The RAC reports regularly to the BoD on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and in the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's RAC oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's RAC is assisted in its oversight role by the Chief Risk Officer as well as by internal audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Group's RAC.

4.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

(a) Trade and other receivables

The Group's exposure to credit risk is primarily influenced by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate has less of an influence on credit risk. The majority of the customers are investment programs that are advised and administered by the Group.

The Group's counterparties are mostly regulated financial institutions or institutional investors with a high credit quality. In addition, the Group periodically reviews the client exposure and concentration. There is no substantial concentration of credit risk. The Group has never suffered from any material loss from its trade and other receivables; no allowance for individual exposures or a collective loss allowance is currently established.

(b) Other

The Group's other credit risk arises from cash and cash equivalents (note 12), derivative financial instruments (note 14), short-term loans (see note 15), other financial assets (represents mainly restricted cash investments, note 20) and deposits with banks. The surplus cash (see note 4.3) is transferred to the Group's holding company for cash pooling. For the bank deposits only independently rated parties with typically a minimum rating of "A-3" are accepted (as per Standard and Poor's short-term issue credit ratings definitions).

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
In thousands of Swiss francs	2012	2011
Other financial assets	88’779	88’384
Short-term loans	187’322	213’558
Trade receivables	44’380	30’350
Other receivables	419	2’100
Cash and cash equivalents	234’649	96’664
Forward exchange contracts (derivative assets)	1’665	1’203
	557’214	**432’259**
Positions included in balance sheet, but not subject to credit risk:		
Other receivables (VAT etc.)	1’445	1’752
Marketable securities (equity securities)	4’140	2’297
Cash and cash equivalents (petty cash)	4	5
Prepaid expenses	13’632	6’416
Split of trade receivables into counterparty risk categories:		
Invoiced to clients	8’376	8’986
To be collected by the Group through management contracts	36’004	21’364
	44’380	**30’350**

4.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group’s approach to manage liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’s reputation.

In order to assess the development of its liquidity, the Group uses a cash flow forecasting tool which is integrated in the budgeting and reporting process, and assists in monitoring cash flow requirements and optimizing its cash return on investments. Cash flow forecasting is performed on an overall level by the Group. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. Surplus cash held by the operating entities, over and above the balance required for working capital management, are transferred to the Group’s holding company. The Group invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above mentioned forecasts. In addition, the Group maintains the following lines of credit:

- An overall facility of CHF 50 million that can be used as follows:
  - CHF 30 million overdraft facility that is unsecured and can be used as current account overdrafts or as fixed advances with a maturity of up to six months. Interest would be payable at current market rates.
  - CHF 50 million contingent commitments such as security guarantees and deposits.
  - CHF 50 million as margin for over-the-counter trades (used mainly for foreign exchange trading purposes) with a maturity of up to 12 months.

The debt covenants include minimum capital requirements/ratios (see note 4.5), a negative pledge and change in ownership clause. The debt covenants were met throughout the current and prior period. The overall facility is currently used for guarantees and for margins for forward exchange contracts.

– An overall credit facility of CHF 375 million with a syndicate of Swiss banks. The credit facility can be used as follows:
  – CHF 225 million for the financing of acquisitions.
  – CHF 375 million, less the credit facility amount used for acquisitions, as an overdraft facility (for working capital financing).

Interest is payable at current market rates. The facility is unsecured, but subject to several debt covenants. These include maintaining certain financial key ratios (see note 4.5) as well as several information duties. The debt covenants were met during the current and prior period. As of 31 December 2012, the overall facility is not being used.

The following table discloses the financial liabilities (including estimated interest) with their expected maturities:

In thousands of Swiss francs						2012
	Carrying amount	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Trade payables	16’419	16’419				
Accrued expenses (derivative liabilities)	174	174				
Unfunded commitments	112’700	112’700				
	129’293	**129’293**	**–**	**–**	**–**	**–**
Positions included in balance sheet, but not subject to liquidity risk:						
Other current liabilities (VAT, social security liabilities, etc.)	3’038	3’038				
Accrued expenses (bonus accruals, etc.)	49’046	49’046				
Derivatives arising from insurance contract	82’611			82’611		

In thousands of Swiss francs						2011
	Carrying amount	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Trade payables	12’532	12’532				
Accrued expenses (derivative liabilities)	1’990	1’988	2			
Unfunded commitments	93’598	93’598				
	108’120	**108’118**	**2**	**–**	**–**	**–**
Positions included in balance sheet, but not subject to liquidity risk:						
Other current liabilities (VAT, social security liabilities, etc.)	710	710				
Accrued expenses (bonus accruals, etc.)	32’813	32’813				
Derivatives arising from insurance contract	83’470				83’470	

4.4 Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives in order to manage certain market risks. All such transactions are carried out within the guidelines defined in the rules of the organization and of operations ("ROO"), issued by the BoD.

(a) Currency risk

The Group is exposed to currency risk on revenues, purchases, expenses, short-term loans and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the euro (EUR), but also US dollar (USD), British pound (GBP) and Singapore dollar (SGD).

As a general guidance, the Group may selectively economically hedge certain recognized assets and liabilities or future cash flows.

Until 2011, the Group selectively economically hedged a portion of its estimated future foreign currency exposure of the main currencies (i.e. EUR, USD, GBP, and SGD) in respect of forecasted revenues, expenses and purchases over the following twelve months. The respective economic hedging ratio for each of the main currencies was reviewed and determined on a quarterly basis. The Group used forward exchange contracts to economically hedge its currency risk, with a maturity of maximum one year from the reporting date. As of 31 December 2011, the Group had economically hedged approximately 25% of the EUR, USD, GBP and SGD estimated future foreign currency exchange exposure over the following six months. As of 31 December 2012, the Group has not hedged any estimated future foreign currency exposure.

The table below shows the Group's main exposure to foreign currency risk (before elimination of intercompany balances, based on the balance sheets in local currencies of the group entities and without considering the impact of forward exchange contracts):

In thousands of Swiss francs					2012
	CHF	EUR	USD	GBP	SGD
Cash and cash equivalents	627	2'288	4'116	265	15
Trade receivables	62	16'718	2'582	4	–
Other receivables	–	(2'874)	(22'378)	(13'269)	(9'387)
Prepaid expenses	1'773	505	617	–	–
Short-term loans	–	23'300	164'022	–	–
Other financial assets	–	2'414	498	–	–
Trade payables	(23)	(974)	(1'619)	(6)	–
Accrued expenses	–	(2'045)	(536)	–	–
Forward exchange contracts	–	112	1'553	–	–
Total	**2'439**	**39'444**	**148'855**	**(13'006)**	**(9'372)**

In thousands of Swiss francs					2011
	CHF	EUR	USD	GBP	SGD
Cash and cash equivalents	17	2'278	1'230	291	23
Trade receivables	1	21'774	1'826	2	–
Other receivables	–	9'426	37'464	(9'366)	(4'814)
Prepaid expenses	458	753	963	232	–
Short-term loans	–	66'321	121'743	25'093	–
Other financial assets	–	2'434	554	–	–
Trade payables	(6)	(1'862)	(328)	–	–
Accrued expenses	–	(3'347)	(266)	(17)	–
Forward exchange contracts	–	579	(1'320)	24	(69)
Total	**470**	**98'356**	**161'866**	**16'259**	**(4'860)**

Sensitivity analysis

In order to analyze the impact of the currency fluctuations on the profit or loss, respectively the equity of the Group, the Group has applied the given volatility for the individual currency pairs (i.e. CHF/EUR) in the respective reporting periods. This analysis assumes that all other variables, in particular interest rates, remain constant (e.g. the Group examined the effect of an increase of the EUR against the CHF of 1.30% (2011: 13.09%), calculating the corresponding effect).

Volatilities	**2012**	**2011**
CHF/EUR	1.30%	13.09%
CHF/USD	7.83%	14.69%
CHF/GBP	5.93%	14.20%
CHF/SGD	5.81%	13.41%
EUR/USD	8.00%	11.35%
EUR/GBP	5.96%	8.61%
USD/GBP	6.32%	8.57%

		Profit or loss
Effect in thousands of CHF	**2012**	**2011**
CHF/EUR	185	(749)
CHF/USD	547	4’576
CHF/GBP	(672)	(1’680)
CHF/SGD	(537)	(1’236)
EUR/USD	51	483
EUR/GBP	347	454
USD/GBP	221	131
Total	**142**	**1’979**

The above sensitivity analysis is based on the local balance sheet positions in the group entities, but taking into account the forward exchange contracts for the expected future revenue streams in foreign currencies.

Forward exchange contracts

As of the balance sheet date the Group has no outstanding derivative instruments for which it applied hedge accounting.

The effect of the revaluation of the contracts to economically hedge the expected future revenue streams in foreign currencies is directly recognized in profit or loss.

The net fair value of forward exchange contracts at the balance sheet date amounts to CHF 1.5 million with an outstanding volume of CHF 193 million (2011: CHF -0.8 million; volume CHF 242 million).

(b) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group is mainly exposed to cash flow interest rate risk with respect to its bank balances, as well as its investment into the Pearl Experience Account, disclosed as other financial assets (see note 20). Such cash flows are dependent on changes in short-term market interest rates. Due the short-term nature and limited sensitivity, the Group does not manage its cash flow interest rate risk currently.

As of the balance sheet date the Group has not entered into any borrowings with banks, but maintains credit lines with banks (see note 4.3).

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

In thousands of Swiss francs	2012	2011
Variable rate instruments		
Financial assets	318'145	180'134
Financial liabilities	–	–
	318'145	**180'134**
Fixed rate instruments		
Financial assets	192'605	218'472
Financial liabilities	–	–
	192'605	**218'472**

Fair value sensitivity analysis for fixed rate instruments

The Group does not designate any fixed rate financial assets or liabilities as at fair value through profit or loss, nor as available-for-sale. Therefore, changes in interest rates of fixed rate instruments would not affect profit or loss and equity.

Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for the previous period.

	Variable rate instruments	
In thousands of Swiss francs	2012	2011
Profit or loss		
50 bp increase	1'591	901
50 bp decrease	(1'591)	(901)

(c) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet at fair value through profit or loss. The Group is not exposed to commodity price risk. The majority of the Group's investments are entered into under existing investment management contracts whereby the Group invests alongside the investors in the private equity, private debt, private real estate or private infrastructure vehicles managed by the Group.

In assessing the price risk associated with the Group's investments, it applied a volatility ratio to each of its investments classified as marketable securities or other investments. The Group used long-term data (at least 5 years) to assess the volatilities for each asset class. Based on the size of the investment as a portion of the overall investment in the relevant asset class, the Group then calculated a weighted volatility for the respective asset class, summarized below:

	Carrying amount/volatility			
In thousands of Swiss francs	2012	Volatility	2011	Volatility
Marketable securities	4'140	25%	2'297	25%
Other investments:				
Private equity	136'659	14%	129'699	14%
Private debt	24'580	7%	16'689	8%
Private real estate	20'122	14%	13'211	14%
Other segments 1)	39'724	9%	51'380	9%
Total	**225'225**		**213'276**	

1) prior year weighted average volatility of other segments adjusted

Based on the applied long-term volatility for the individual asset classes the Group is exposed to the following equity price risk:

	Profit or loss	
In thousands of Swiss francs	2012	2011
Marketable securities	1'035	574
Other investments:		
Private equity	19'132	18'158
Private debt	1'721	1'335
Private real estate	2'817	1'850
Other segments 1)	3'575	4'624
Total	**28'280**	**26'541**

1) prior year adjusted based on adjusted weighted average volatility of other segments

4.5 Capital management

The BoD's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain a future development of the business. The BoD monitors the level of dividends to ordinary shareholders.

From time to time the Group purchases its own shares on the market; the timing of these purchases depends on the market price. Primarily, the shares are intended to be used for issuing shares/covering options under the Group's share and option programs. Buy and sell decisions are made within the limits defined by the BoD. The Group does not have a defined share buy-back plan; however, the annual general meeting of shareholders on 6 May 2010 approved the establishment of a second trading line at the SIX Swiss Exchange for the potential repurchase of up to 10% of the shares of the Company during the period until May 2013. The second trading line is currently not open.

There were no changes in the Group's approach to capital management during the year.

The Group, or some of its subsidiaries, are subject to the following externally imposed capital requirements:

- The Financial Services Authority (FSA) requires that Partners Group (UK) Limited maintained GBP 1.9 million minimum capital as of 31 December 2012 (2011: GBP 2.4 million).
- The Guernsey Financial Services Commission requires that Partners Group (Guernsey) Limited maintained net assets of 25% of annual audited expenditure subject to a minimum of GBP 100'000 (2011: GBP 100'000) and that the other relevant Guernsey based Group entities maintained net assets of 25% of annual audited expenditure subject to a minimum of GBP 10'000 as of 31 December 2012 (2011: GBP 10'000).
- Article 182 of the Law of 10th August 1915 on commercial companies requires that Partners Group (Luxembourg) S.à r.l., Partners Group Management I S.à r.l., Partners Group Management II S.à r.l. and Partners Group Management III S.à r.l. have a minimum corporate capital of EUR 12'395 as of 31 December 2012 (2011: EUR 12'395).
- Overall credit facility of CHF 50 million: Partners Group Holding AG is required to maintain a ratio of total equity compared to total assets of at least 40%. In addition, the ratio of net debt versus EBITDA should be equal to or less than 1.5.
- Overall credit facility of CHF 375 million: Partners Group Holding AG needs to maintain a ratio of net financial debt versus EBITDA that is equal to or less than 1.75 based on the consolidated financial statements. In addition, the ratio of total equity compared to total assets needs to represent at least 40% where the equity needs to represent at least CHF 300 million. Furthermore the ratio of financial debt divided by equity needs to be below 125%.
- Partners Group (USA) Inc. is required to meet the minimum shareholders' equity requirements applicable to Qualified Professional Asset Managers (QPAMs) in the USA pursuant to its status as managers of ERISA plan asset vehicles.
- The issued nominal share capital of Partners Group AG amounts to CHF 200'000 and the overall equity (capital adequacy) always exceeds CHF 20 million. The Group is required by the Swiss Financial Market Supervisory Authority (FINMA) to report on its fixed costs in relation to its capital resources as defined by FINMA. The Group reports CHF 160 million consolidated fixed costs. FINMA regulation requires that for 25% of the consolidated fixed costs (i.e. CHF 40 million) capital resources need to be maintained. The Group's consolidated capital resources as defined by FINMA equal CHF 492 million as of 31 December 2012.

All these capital requirements have been met during 2012.

4.6 Fair value estimation

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price, the appropriate quoted market price for financial liabilities is the current ask price; these instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example over the counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments
- The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.
- Other techniques, such as discounted cash flow or multiple analysis are used to determine fair value for the remaining financial instruments.
- The nominal value less estimated credit adjustments of trade receivables is assumed to approximate their fair values.
- Black-Scholes model to fair value derivatives arising from insurance contracts.

The factors and assumptions for the determination of the fair value of derivatives arising from insurance contracts are described in note 26.

Note that the majority of the Group's financial instruments are included in level 3.

The following table shows the fair value hierarchy of the Group's financial assets and liabilities that are measured at fair value:

In thousands of Swiss francs				2012
	Level 1	Level 2	Level 3	Total
Marketable securities	4'140			4'140
Other investments	3'842		217'243	221'085
Derivative assets held for risk management		1'665		1'665
Financial assets	**7'982**	**1'665**	**217'243**	**226'890**
Derivatives arising from insurance contract		82'611		82'611
Derivative liabilities held for risk management (accrued expenses)		174		174
Financial liabilities	**–**	**82'785**	**–**	**82'785**

In thousands of Swiss francs				2011
	Level 1	Level 2	Level 3	Total
Marketable securities	2'297			2'297
Other investments	6'202		204'777	210'979
Derivative assets held for risk management		1'203		1'203
Financial assets	**8'499**	**1'203**	**204'777**	**214'479**
Derivatives arising from insurance contract		83'470		83'470
Derivative liabilities held for risk management (accrued expenses)		1'990		1'990
Financial liabilities	**–**	**85'460**	**–**	**85'460**

The Group classifies the majority of the other investments as level 3 investments. No other financial instruments are classified as level 3 investments, and no other financial instruments have been transferred into or out of level 3 during the reporting period. All gains and losses on other investments are primarily attributable to investments that are held at the end of the reporting period. Please refer to note 19 for the gains or losses recognized on investments which were derecognized from the balance sheet in the period.

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in level 3 of the fair value hierarchy, the Group believes that changing the weighted volatility (as the unobservable input) best reflects the possible effects on profit or loss for the other investments. Please refer to note 4.4.(c) for the (equity price risk) effects based on the weighted volatility.

The following table shows the reconciliation of all level 3 financial instruments in 2012:

In thousands of Swiss francs	Level 3 investments
Opening balance as of 1 January 2012	204’777
Additions	36’552
Disposals	(36’501)
Revaluations	15’419
Effect of movements in exchange rates	(3’004)
Closing balance as of 31 December 2012	**217’243**

4.7 Financial instruments by category

The Group's financial instruments can be classified into the respective categories as follows[1)]:

In thousands of Swiss francs	2012	2011
Financial assets		
Financial assets at fair value through profit or loss		
Designated upon initial recognition:		
Other investments	221'085	210'979
Other financial assets (restricted cash and cash equivalents)	83'496	83'470
	304'581	**294'449**
Held for trading:		
Marketable securities	4'140	2'297
Derivative assets	1'665	1'203
	5'805	**3'500**
Loans and receivables		
Trade receivables	44'380	30'350
Other receivables	1'864	3'852
Short-term loans	187'322	213'558
Other financial assets	5'283	4'914
	238'849	**252'674**
Cash and cash equivalents		
Cash and cash equivalents	234'653	96'669
	234'653	**96'669**
Total financial assets	**783'888**	**647'292**
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Derivative liabilities (accrued expenses)	174	1'990
Derivatives arising from insurance contract	82'611	83'470
	82'785	**85'460**
Financial liabilities measured at amortized cost		
Trade payables	16'419	12'532
	16'419	**12'532**
Total financial liabilities	**99'204**	**97'992**

1) carrying amounts for assets/liabilities equal fair values

5. CHANGES IN SCOPE OF CONSOLIDATION

(a) Incorporation of new Group entities

In 2012, the Group did not incorporate any subsidiaries.

- On 7 October 2011 the Group incorporated Partners Group Management III S.à r.l., Luxembourg. The entity's main purpose is to serve as an investment manager/manager for Luxembourg-based investment vehicles.
- On 20 September 2011 the Group incorporated Partners Group Management XIV Limited, Guernsey. The entity's main purpose is to serve as an investment manager/general partner for Guernsey-based investment vehicles.
- On 2 August 2011 the Group incorporated Partners Group (France) SAS, France. The entity's main purpose is to support Partners Group's investment activities in France whilst additionally increasing proximity to clients in the region.
- On 17 June 2011 the Group incorporated Partners Group Client Access Management I Limited, Guernsey. The entity's main purpose is to serve as an investment manager/general partner for Guernsey-based investment vehicles.
- On 11 March 2011 the Group incorporated Partners Group (Brazil) Investimentos Ltda., Brazil. The entity's main purpose is to serve as a base for Partners Group's investment activities and the growing number of client relationships in Latin America.
- On 8 March 2011 the Group incorporated Partners Group Management XIII Limited, Guernsey. The entity's main purpose is to serve as an investment manager/general partner for Guernsey-based investment vehicles.
- On 8 March 2011 the Group incorporated Partners Group Management XII Limited, Guernsey. The entity's main purpose is to serve as an investment manager/general partner for Guernsey-based investment vehicles.

The effect of these incorporations on the Group's consolidated financial statements is not material.

(b) Restructurings

As of 1 January 2012, the Group merged Partners Group Real Estate LLC into Partners Group (USA) Inc.

No restructurings took place in 2011.

(c) Acquisition of subsidiaries

In 2012, the Group did not acquire any subsidiaries.

On 1 January 2011 Partners Group acquired a 100% interest in D&W Service GmbH, Germany. The company provides management and advisory services to their clients to invest in direct investments. In 2011 the company was renamed to Partners Group (Deutschland) GmbH ("PGDE").

5. CHANGES IN SCOPE OF CONSOLIDATION (CONTINUED)

The following table shows the fair value of assets and liabilities acquired at acquisition date, including identifiable assets and goodwill arising from the transaction.

In thousands of Swiss francs	Fair value
Cash and cash equivalents	15
Other receivables	10
Intangible assets:	
Existing client contracts	933
Trade payables	(10)
Net assets acquired at fair value	**948**
Goodwill	1’565
Total purchase consideration	**2’513**
Cash acquired	(15)
Net cash outflow on acquisition	**2’498**

In 2011 PGDE contributed revenues of CHF 1.8 million and a net loss of CHF 0.1 million to the Group.

The pre-acquisition net assets of PGDE amounted to CHF 14’048 and were determined based on applicable IFRSs immediately before the acquisition. In determining the fair value of existing client contracts acquired, the Group applied a discount rate of 11.92% to the estimated revenues.

The goodwill recognized on the acquisition is mainly attributable to the skills and technical talent of the acquired business’ workforce and the synergies expected to be achieved from integrating the company into the Group’s existing investment management business. The goodwill is not expected to be deductible for tax purposes.

Acquisition related costs borne by the Group as the acquirer amounted to CHF 27’128 during the financial years 2010 and 2011 and were recognized in the income statement as third party services or as marketing and representation expenses.

By the end of December 2011, no adjustments were made to the initial purchase price allocation as of 1 January 2011.

(d) Divestments of subsidiaries

In 2012, the Group did not divest any subsidiaries.

On 12 September 2011 Partners Private Equity Management Inc., Cayman Islands, was dissolved and removed from the company register in Cayman Islands.

6. SEGMENT INFORMATION

The chief operating decision-maker (CODM) has been identified as the BoD. The BoD reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The BoD considers the business from a business line perspective. This results in an identification of the following operating segments:
- Private equity
- Private debt
- Private real estate
- All other segments

In these business lines, the Group services its clientele with investment advisory and management services in the private markets spectrum, comprising structuring and investment advising as relates to direct investments in operating companies or assets and investments in third party managed vehicles. In its advisory and management services, the Group offers diversified as well as more focused investment programs as relates to investment styles, industry and geography of the investments in private markets.

Private equity
Private equity refers to investments made in private – i.e. not publicly traded – companies. Private equity investments are characterized by financing stage, which refers to the stage of development of a company at the point of investment. Each financing stage carries distinct risk, return and correlation characteristics. Accordingly, each financing stage can play a different role within a diversified private equity portfolio. Partners Group covers the full range of opportunities offered by this type of investment, from investments in venture and growth capital to buyouts and restructuring as well as other special situations opportunities.

Private debt
Private debt refers to debt financing for private – i.e. not publicly traded – corporations or large projects. Private debt allows investors to access investment opportunities that are not available in the public corporate bond market. Partners Group mainly invests in subordinated debt associated with buyout transactions (mezzanine or second lien). Mezzanine directs are a direct infusion of capital into selected companies within the framework of corporate takeovers.

Private real estate
Private real estate refers to investments made in private – i.e. not publicly traded – real estate assets. Within this sector, there is a wide range of investment opportunities, from housing complexes and office space to shopping centers and industrial buildings. Partners Group covers the full range of equity and debt investment opportunities offered by real estate assets.

All other segments
All other segments include the Group's private infrastructure activities and revenues from affiliated companies with activities in alternative beta strategies and private wealth management activities. None of these segments meet any of the quantitative thresholds for determining reportable segments in 2012 or 2011.

The activities in all operating segments consist of:
- Strategic asset allocation and portfolio management
- Investment management and monitoring
- Risk management
- Reporting and portfolio administration
- Relationship management
- etc.

6. SEGMENT INFORMATION (CONTINUED)

The BoD assesses the performance of the operating segments based on a gross segment result, determined from the allocation of directly attributable revenues and expenses for the respective operating segment. Therefore, those results per operating segment do not include allocation of expenses which are not directly attributable, such as overhead and general operating expenses etc. All not directly attributable elements of the income statement are summarized in the unallocated column.

Management believes that this reporting is most relevant in evaluating the results of its segments.

The Group discloses no inter-segment transactions, as there are none; consequently no eliminations are necessary.

In thousands of Swiss francs						2012
	Private equity	Private debt	Private real estate	All other segments	Unallocated	Total
Revenues from management and advisory services, net	321'005	39'389	47'895	32'810	–	441'099
Share of results of associates	5'989	–	–	–	–	5'989
Total	**326'994**	**39'389**	**47'895**	**32'810**	**–**	**447'088**
Third party services	(275)	(179)	(53)	(38)	(4'166)	(4'711)
Personnel expenses	(26'158)	(4'798)	(10'222)	(10'115)	(86'261)	(137'554)
General and administrative expenses	(23)	(6)	(23)	(194)	(20'767)	(21'013)
Marketing and representation expenses	(1'150)	(241)	(709)	(487)	(6'654)	(9'241)
Depreciation, amortization and impairment losses					(19'764)	(19'764)
Gross segment result	**299'388**	**34'165**	**36'888**	**21'976**	**(137'612)**	**254'805**
Reconciliation to income statement:						
Change in fair value of derivatives arising from insurance contract						204
Net finance income and expense						25'727
Income tax expense						(23'331)
Profit for the period						**257'405**

6. SEGMENT INFORMATION (CONTINUED)

In thousands of Swiss francs						2011
	Private equity	Private debt	Private real estate	All other segments	Unallocated	Total
Revenues from management and advisory services, net	239'458	43'902	39'758	19'981	–	343'099
Share of results of associates	3'386	–	–	–	–	3'386
Total	**242'844**	**43'902**	**39'758**	**19'981**	**–**	**346'485**
Third party services	(461)	(5)	(142)	(59)	(1'775)	(2'442)
Personnel expenses	(21'838)	(3'949)	(8'433)	(8'640)	(62'126)	(104'986)
General and administrative expenses	(85)	(12)	(34)	(86)	(17'497)	(17'714)
Marketing and representation expenses	(1'953)	(321)	(1'147)	(469)	(4'981)	(8'871)
Depreciation and amortization					(16'032)	(16'032)
Gross segment result	**218'507**	**39'615**	**30'002**	**10'727**	**(102'411)**	**196'440**
Reconciliation to income statement:						
Change in fair value of derivatives arising from insurance contract						(1'191)
Net finance income and expense						25'655
Income tax expense						(18'667)
Profit for the period						**202'237**

As the Group pursues a fully integrated investment approach, most professionals engage in assignments across several segments within the private markets asset classes. Thus, only the personnel expense of those professionals entirely dedicated to a single segment have been allocated to the operating segments, leading to the majority of personnel expenses being unallocated to any of the operating segments. The same applies to third party services, general and administrative expenses and marketing and representation expenses. Depreciation and amortization are not allocated to the operating segments.

Geographical information

The segments are managed on a worldwide basis with Guernsey as a general management hub. However, advisory services are primarily provided from Switzerland, whereas local offices ensure access to worldwide markets. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location where the respective revenues are accounted for; i.e. in which locations the revenues are shown in the Group's entities' financial statements.

	Net revenues	
In thousands of Swiss francs	2012	2011
Switzerland	184'299	151'787
Guernsey	152'383	118'010
North America	51'703	38'259
Other European countries	30'209	19'522
Rest of world	22'505	15'521
Total revenues from management and advisory services, net	**441'099**	**343'099**

In 2011 and 2012, no client of the Group contributed more than 10% to the Group's revenues.

7. REVENUES FROM MANAGEMENT AND ADVISORY SERVICES, NET

The Group is active in different businesses (see note 6). Within these different businesses, it earns income for its various functions, which are further explained and outlined below:

Investment management
Typically based on long-term contracts, the Group earns investment management fees for discretionary mandates. The fees are typically based on the commitments by investors into investment structures and are typically payable quarterly in advance. The fees may include a performance-related remuneration. In the process of structuring new products, the Group often receives a fee for its services in connection with establishing investment vehicles and related legal and structuring work. These fees are always one-off fees, which are typically due when a new investor invests in the structure. Occasionally, the Group also receives transaction fee income relating to corporate finance activities for private market transactions. These fees are usually one-time occurring.

Insurance premiums
The private equity insurance premiums exclusively relate to the investment structure of Pearl Holding Limited, where the Group acts as policyholder only, since European International Reinsurance Company Limited (a subsidiary of Swiss Re) is the insurer and thus the Group forwards the entire amount to the insurer (see note 26).

Revenue deductions
The revenue deductions represent the Group's payments to third parties who introduce clients to it, as well as rebates paid to existing clients. Third party payments may be one-off payments or also recurring retainers, depending on individual agreements. Rebates to existing clients are mainly for fees charged which were earned when investing through a pooling vehicle, in order to avoid double charging of fees.

7. REVENUES FROM MANAGEMENT AND ADVISORY SERVICES, NET (CONTINUED)

In thousands of Swiss francs	2012	2011
Private equity		
Private equity investment management	377’832	283’413
./. Revenue deductions	(56’827)	(43’955)
Net private equity investment management	321’005	239’458
Private equity insurance premiums	17’599	18’587
./. Insurance fees, where the Group acts as policyholder only	(17’599)	(18’587)
Net private equity insurance premiums	–	–
Total revenues from private equity, net	**321’005**	**239’458**
Private debt		
Private debt investment management	45’873	48’090
./. Revenue deductions	(6’484)	(4’188)
Total revenues from private debt, net	**39’389**	**43’902**
Private real estate		
Private real estate investment management	54’705	48’529
./. Revenue deductions	(6’810)	(8’771)
Total revenues from private real estate, net	**47’895**	**39’758**

7. REVENUES FROM MANAGEMENT AND ADVISORY SERVICES, NET (CONTINUED)

In thousands of Swiss francs	2012	2011
Other revenues		
Private infrastructure investment management	31’030	16’905
./. Revenue deductions	(6’065)	(2’672)
Net private infrastructure investment management	24’965	14’233
Revenues from affiliated companies	6’175	5’641
./. Revenue deductions	(504)	(406)
Net revenues from affiliated companies	5’671	5’235
Other revenues	2’174	513
Total other revenues, net	**32’810**	**19’981**
Revenues from management and advisory services, net	**441’099**	**343’099**

In thousands of Swiss francs	2012	2011
Summary		
Total gross revenues	535’388	421’678
./. Revenue deductions	(76’690)	(59’992)
./. Insurance fees, where the Group acts as policyholder only	(17’599)	(18’587)
Revenues from management and advisory services, net	**441’099**	**343’099**

8. THIRD PARTY SERVICES

In thousands of Swiss francs	2012	2011
Consulting and legal fees	(4’583)	(2’392)
Sundry third party service expenses	(128)	(50)
Total third party expenses	**(4’711)**	**(2’442)**

9. PERSONNEL EXPENSES

In thousands of Swiss francs	2012	2011
Wages and salaries	(97’411)	(74’970)
Other long-term benefits	(2’180)	–
Retirement schemes – defined contribution plans	(5’986)	(4’613)
Retirement schemes – defined benefit plans	(2’353)	(2’275)
Other social security expenses	(7’475)	(2’899)
Share-based payment expenses	(17’955)	(16’645)
Sundry personnel expenses	(4’194)	(3’584)
Total personnel expenses	**(137’554)**	**(104’986)**

Including the expenses recognized for non-vested shares and share options granted in 2012 (refer to note 25(b)), the Group recognizes the following expenses for grants in previous periods as well as expenses for shares granted to employees at the start of their employment:

In thousands of Swiss francs	2012	2011
Grants 2006	(601)	(454)
Grants 2007	(834)	(1’907)
Grants 2008 (options and non-vested shares)	(1’802)	(2’225)
Grants 2009 (options and non-vested shares)	(2’252)	(2’884)
Grants 2010 (options and non-vested shares)	(3’645)	(4’281)
Grants 2011 (options and non-vested shares)	(3’195)	(3’704)
Grants 2012 (options and non-vested shares)	(4’741)	–
Share grants at start of employment in the respective year	(885)	(1’190)
Total share-based payments	**(17’955)**	**(16’645)**

The average number of employees (excluding temporary employees and interns) in 2012 was 591 (2011: 499), which is equivalent to 580 full-time employees (2011: 486). Including temporary employees and interns the average number of employees in 2012 was 615 (2011: 511).

10. NET FINANCE INCOME AND EXPENSE

In thousands of Swiss francs	2012	2011
Interest income	11'893	11'863
Net gains/(losses) on:		
Held for trading instruments	1'081	(507)
Fair value through profit or loss instruments, designated	15'552	19'829
Net change in fair value of other long-term liabilities	(113)	(45)
Net foreign exchange gain/(loss)	147	(2'844)
Total other finance income/(expense), net	**28'560**	**28'296**
Total finance cost	**(2'833)**	**(2'641)**
Net finance income and (expense)	**25'727**	**25'655**

Total finance cost includes interest expense on financial liabilities of CHF 0.5 million (2011: CHF 2.2 million).

11. INCOME TAX EXPENSE

Recognized in the income statement

In thousands of Swiss francs	2012	2011
Current tax expense:		
Current year	24’079	21’525
Under/(over)provided in prior years	(2’045)	(1’930)
Total current tax expense	**22’034**	**19’595**
Deferred tax expense/income:		
Deferred tax expense/income, net relating to the origination and reversal of temporary differences	1’297	(928)
Total income tax expense	**23’331**	**18’667**

Weighted average expected tax rate reconciliation

In thousands of Swiss francs	2012	2011
Profit before tax	**280’736**	**220’904**
Weighted average expected Group tax rate	9.00%	9.33%
Expected tax expense	25’269	20’606
Non-tax-deductible expense	78	678
Applicable tax rates differing from expected rate	(4)	(628)
Utilization of unrecognized tax loss carry-forwards	(2)	(79)
Under/(over) provided in prior years	(2’045)	(1’930)
Other impacts	35	20
Total income tax expense	**23’331**	**18’667**

The Group calculates a weighted average tax rate for the whole Group, taking into account official taxation rates of the individual companies in their specific locations and their contribution to total profit before tax, which leads to the weighted average expected Group tax rate.

Deferred tax assets and liabilities are disclosed separately in note 21.

Compared to the prior period, the business in jurisdictions with higher tax rates grew slightly less than the overall business did.

12. CASH AND CASH EQUIVALENTS

In thousands of Swiss francs	2012	2011
Bank balances	234’649	96’664
Petty cash	4	5
Total	**234’653**	**96’669**

For further details on the changes in the cash and cash equivalents balance, please refer to the cash flow statement.

13. MARKETABLE SECURITIES

In thousands of Swiss francs	2012	2011
Equity securities held for trading	4’140	2’297
Total	**4’140**	**2’297**

14. PREPAID EXPENSES, DERIVATIVE ASSETS, TRADE AND OTHER RECEIVABLES

In thousands of Swiss francs	2012	2011
Trade receivables	44’380	30’350
Other receivables	1’864	3’852
Derivative assets	1’665	1’203
Prepaid expenses	13’632	6’416
Total	**61’541**	**41’821**

No allowances were recognized during or at the end of, the current and the prior period. As of the reporting date no material receivables are overdue. The Group reviews its counterparty risk in trade receivables on a regular basis. As disclosed in note 4.2, as of the balance sheet date, the Group can collect 81% (2011: 70%) of the trade receivables based on discretionary management agreements; the remaining 19% (2011: 30%) is invoiced to clients who are primarily major institutional clients.

15. SHORT-TERM LOANS

The short-term loans of CHF 187.3 million (2011: CHF 213.6 million) relate to loans to several investment programs with an expected repayment date within the next twelve months. Interest on these loans is calculated at a rate of 2.50% per annum above the applicable LIBOR interest rate.

In 2011, short-term loans also included the following short-term financing: In 2009, one of the Group entities (Partners Group Finance CHF IC Limited, Guernsey) entered into 3-year term loans and revolving facilities available to three investment structures, namely Princess Private Equity Limited (“Princess”), Pearl Holding Limited (“Pearl”) and Partners Group Global Opportunities Limited (“PGGO”). The credit facilities have been arranged by a large international bank and entered alongside other lenders including the arranging bank. Each facility formed part of syndicated term loan and revolving facilities of EUR 170 million in aggregate initially. In 2011 Princess and PGGO repaid and cancelled their respective facilities. In 2012 Pearl repaid and cancelled its respective facility.

16. PROPERTY AND EQUIPMENT

In thousands of Swiss francs					2012
	Buildings	Office furniture	Interior fittings	Equipment and IT fittings	Total
Cost					
Balance as of 1 January 2012	–	9’321	14’105	12’860	36’286
Additions	3’092	992	2’109	2’020	8’213
Effect of movements in exchange rates	–	14	31	19	64
Balance as of 31 December 2012	**3’092**	**10’327**	**16’245**	**14’899**	**44’563**
Accumulated depreciation					
Balance as of 1 January 2012	–	5’176	6’049	8’090	19’315
Additions	30	1’338	1’729	2’738	5’835
Effect of movements in exchange rates	–	10	4	4	18
Balance as of 31 December 2012	**30**	**6’524**	**7’782**	**10’832**	**25’168**
Carrying amount					
As of 1 January 2012	–	4’145	8’056	4’770	16’971
As of 31 December 2012	**3’062**	**3’803**	**8’463**	**4’067**	**19’395**
Impairment losses incurred in 2012					nil

During the year the Group acquired corporate apartements in Baar, Switzerland, with the intention to provide accommodation for its international employees during their short-term stay in the head office.

16. PROPERTY AND EQUIPMENT (CONTINUED)

In thousands of Swiss francs				2011
	Office furniture	Interior fittings	Equipment and IT fittings	Total
Cost				
Balance as of 1 January 2011	5’240	7’916	8’580	21’736
Additions	3’998	6’120	4’230	14’348
Disposals	–	–	(4)	(4)
Effect of movements in exchange rates	83	69	54	206
Balance as of 31 December 2011	**9’321**	**14’105**	**12’860**	**36’286**
Accumulated depreciation				
Balance as of 1 January 2011	3’910	4’734	5’992	14’636
Additions	1’250	1’300	2’078	4’628
Disposals	–	–	(3)	(3)
Effect of movements in exchange rates	16	15	23	54
Balance as of 31 December 2011	**5’176**	**6’049**	**8’090**	**19’315**
Carrying amount				
As of 1 January 2011	1’330	3’182	2’588	7’100
As of 31 December 2011	**4’145**	**8’056**	**4’770**	**16’971**
Impairment losses incurred in 2011				nil

17. INTANGIBLE ASSETS

In thousands of Swiss francs							2012
	Cost of initial put option	Client contracts	Goodwill	Software	Placing expenses	Other intangible assets	Total
Cost							
Balance as of 1 January 2012	34'623	1'712	18'254	8'764	10'819	4'000	78'172
Additions	–	–	–	1'870	1'375	–	3'245
Effect of movements in exchange rates	(272)	(27)	(429)	(11)	(88)	–	(827)
Balance as of 31 December 2012	**34'351**	**1'685**	**17'825**	**10'623**	**12'106**	**4'000**	**80'590**
Accumulated amortization and impairment losses							
Balance as of 1 January 2012	10'820	1'106	–	6'366	9'484	600	28'376
Additions	8'573	300	–	1'626	819	800	12'118
Impairment losses	–	300	1'511	–	–	–	1'811
Effect of movements in exchange rates	(71)	(21)	3	–	(55)	–	(144)
Balance as of 31 December 2012	**19'322**	**1'685**	**1'514**	**7'992**	**10'248**	**1'400**	**42'161**
Carrying amount							
As of 1 January 2012	23'803	606	18'254	2'398	1'335	3'400	49'796
As of 31 December 2012	**15'029**	**–**	**16'311**	**2'631**	**1'858**	**2'600**	**38'429**

17. INTANGIBLE ASSETS (CONTINUED)

In thousands of Swiss francs	Cost of initial put option	Client contracts	Goodwill	Software	Placing expenses	Other intangible assets	2011 Total
Cost							
Balance as of 1 January 2011	35’587	800	9’322	6’837	10’793	–	63’339
Additions	–	–	–	1’927	187	4’000	6’114
Acquisition of subsidiaries	–	933	1’565	–	–	–	2’498
Equity-settled acquisition of subsidiary	–	–	6’590	–	–	–	6’590
Effect of movements in exchange rates	(964)	(21)	777	–	(161)	–	(369)
Balance as of 31 December 2011	**34’623**	**1’712**	**18’254**	**8’764**	**10’819**	**4’000**	**78’172**
Accumulated amortization							
Balance as of 1 January 2011	2’224	800	–	5’382	8’883	–	17’289
Additions	8’771	307	–	985	741	600	11’404
Effect of movements in exchange rates	(175)	(1)	–	(1)	(140)	–	(317)
Balance as of 31 December 2011	**10’820**	**1’106**	**–**	**6’366**	**9’484**	**600**	**28’376**
Carrying amount							
As of 1 January 2011	33’363	–	9’322	1’455	1’910	–	46’050
As of 31 December 2011	**23’803**	**606**	**18’254**	**2’398**	**1’335**	**3’400**	**49’796**

Impairment losses of existing client contracts and goodwill

In 2011, the Group acquired Partners Group (Deutschland) GmbH (formerly known as D&W Service GmbH), Germany. As a part of the purchase price the Group acquired existing client contracts of CHF 0.9 million and goodwill of CHF 1.6 million. The acquired company (and the business allocable to the employees taken over) represented the lowest reporting level for internal management purposes (within the private equity direct business). Due to the insufficient earnings situation of the cash-generating unit, the remaining net book value of the existing client contracts (CHF 0.3 million) and goodwill (CHF 1.5 million) have been impaired in 2012.

Cost of initial put option

The cost of the initial put option represents the incremental cost directly attributable to securing the extension of the investment management contract for Pearl Holding Limited (see note 26). The cost of the initial put option is amortized using the straight-line method over the extension period from 1 October 2010 to 30 September 2014.

Client contracts

The remaining net book value of client contracts acquired in 2011 in the course of the acquisition of Partners Group (Deutschland) GmbH, Germany, has been impaired in 2012.

17. INTANGIBLE ASSETS (CONTINUED)

Goodwill

No goodwill was added in 2012. The 2011 additions to goodwill relate to the following two acquisitions:

- In January 2011, goodwill of CHF 1.6 million is due to the acquisition of Partners Group (Deutschland) GmbH (formerly known as D&W Service GmbH, Germany, see note 5(c)).
- In July 2011, goodwill of CHF 6.6 million relates to the acquisition of Partners Group Real Estate LLC, USA, in 2007. The purchase agreement entered into in 2007 stipulates three potential contingent payments (in shares of Partners Group Holding AG) based on future revenue targets. In 2007, the Group considered one contingent payment as probable and recognized the additional purchase consideration. In 2011, the last contingent payment was transferred, as the revenue target was reached, which was not considered probable prior to 2011. As a result, further 43'616 shares of Partners Group Holding AG (equivalent to CHF 6.6 million) were transferred to the seller, which resulted in the recognition of an additional purchase consideration in accordance with IFRS 3 (2004). Partners Group Real Estate LLC, USA, was merged into Partners Group (USA) Inc., USA, as of 1 January 2012.
- Of the carrying amount as of 31 December 2012 of CHF 16.3 million (2011: CHF 18.3 million), CHF nil (2011: CHF 1.6 million) is allocated to the private equity operating segment and CHF 16.3 million (2011: CHF 16.7 million) to the private real estate operating segment.

Impairment testing for cash-generating unit containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating unit which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Goodwill has been allocated to the following cash-generating units:

- Goodwill relating to the acquisition of Partners Group (Deutschland) GmbH in January 2011 has been allocated to the acquired company and the business allocable to the employees taken over which is part of the private equity direct business.
- Goodwill relating to the acquisition of Partners Group Real Estate LLC ("PG RE") in 2007 has been allocated to the private real estate operating segment.

The recoverable amount of the private real estate operating segment was based on its value in use. The carrying amount of the unit was determined to be lower than the recoverable amount and thus no impairment of the goodwill was recognized. The value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- Cash flows were projected based on the actual operating results and a 5-year estimate (2013–2017). Cash flows for the time thereafter were taken into account by calculating a terminal value based on the discount factor applied by the Group. No growth rate was applied.
- Revenues were projected based on the development of existing business, taking into account the generation of additional business in the years 2013 to 2017.
- General expense growth, as well as third party expense growth, was considered at a constant rate of 10% p.a. (2011: 10% p.a.).
- Personnel expense growth was considered at a constant rate of 5% p.a. (2011: constant rate of 4% p.a.) plus additional personnel expenses for additional business revenues (i.e. 35% of additional revenues are expensed as additional personnel & general expense).
- A pre-tax discount rate of 10.30% (2011: 10.93%) was applied in determining the recoverable amount of the unit. The Group applied a market interest rate of 1.83% (2011: 1.99%), adjusted by a market risk premium and an industry weighted average beta factor.

Management believes that any reasonable possible change in any of the key assumptions would not cause the carrying value of goodwill of the private real estate operating segment to exceed the recoverable amount.

17. INTANGIBLE ASSETS (CONTINUED)

Placing expenses

The Group selectively uses third party placing agents for the distribution of its investment programs (usually limited partnership structures). It is common to compensate such services with a one-off payment, depending on the amount of assets raised by such third party providers. The cost paid is recognized as incremental cost incurred in connection with the securing of investment management fees. This intangible asset is amortized using the straight-line method over the duration of the investment period of the relevant investment programs the cost was incurred for, usually between three to five years (see note 2.13).

18. INVESTMENTS IN ASSOCIATES

The Group accounts for one investment in associates as summarized below:

In thousands of Swiss francs	Principal activity	Investment at cost	Carrying value	Ownership
LGT Private Equity Advisers, Vaduz/Liechtenstein	Asset management	400	6'126	40%

In thousands of Swiss francs	2012	2011
Balance as of 1 January	3'853	3'902
Dividends received from investments in associates	(3'718)	(3'367)
Other movements	2	(68)
Share of results	5'989	3'386
Balance as of 31 December	**6'126**	**3'853**

Summary of financial information of the investments in associates – 100%:

In thousands of Swiss francs	2012	2011
Total assets	15'411	12'302
Total liabilities	96	2'670
Equity	15'315	9'632
Revenues	16'442	9'935
Profit/(loss)	14'973	8'466

The financial information is based on unaudited financial statements as received from LGT Private Equity Advisers.

19. OTHER INVESTMENTS

The Group holds investments in several investment programs that it administers and advises. These investments often account for a stake of one percent in an investment program. Within the investment programs, the Group usually performs investment advisory activities to the benefit of external investors under a predetermined investment policy and receives a predetermined management fee and, where applicable, a performance fee for its services. The investment programs are financed by the investors. The Group usually acts as the investment manager. With regard to the investment programs, the Group acts as an agent on behalf of the investors in the investment programs and does therefore not consolidate these investment program structures.

Investments into investment programs are classified as at fair value through profit or loss and are measured at fair value (refer to note 2.14).

In thousands of Swiss francs	2012	2011
Balance as of 1 January	210’979	180’480
Additions	36’564	31’945
Disposals	(39’006)	(19’143)
Revaluation of investments held at period end [1)]	15’552	19’867
Revaluation of investments disposed/liquidated in the period [1)]	–	(38)
Effect of movements in exchange rates	(3’004)	(2’132)
Balance as of 31 December	**221’085**	**210’979**

1) The revaluation to fair value of other investments is included in net finance income and expense (see note 10).

As of the relevant balance sheet date, the Group held the following investments into investment programs, split into the following operating segments:

In thousands of Swiss francs	2012	2011
Private equity	136’659	129’699
Private debt	24’580	16’689
Private real estate	20’122	13’211
Other operating segments:		
Partners Group managed	34’955	44’098
Third party managed	4’769	7’282
Total investments	**221’085**	**210’979**

The fair value of these unconsolidated investments represents the Group’s participation in the investment programs and is the maximum exposure to loss from the unconsolidated investment program structures.

20. OTHER FINANCIAL ASSETS

In thousands of Swiss francs	2012	2011
Assets held in experience account:		
Restricted cash and cash equivalents	83’496	83’470
Loans to related parties	4’428	4’629
Other financial assets	855	285
Total	**88’779**	**88’384**

Since the Group cannot access the assets held in the experience account, which serve as first level coverage for the repayment of the convertible bond issued by Pearl Holding Limited, Guernsey (see note 26), the assets are disclosed as non-current financial assets and stated at fair value.

The effective interest earned on the assets held in the experience account was as follows:

	2012	2011
Effective interest rate of restricted cash and cash equivalents	0.82%	1.42%

Once the convertible bond issued by Pearl Holding Limited, Guernsey, is fully repaid and a balance in the experience account remains, Pearl Management Limited, Guernsey, is entitled to this amount.

Pearl Management Limited is a fully consolidated Group entity. The Group consolidates its beneficial ownership in the assets held in the experience account. The assets in the experience account are held in euro and increase over the duration of the convertible bond via interest income on the funds held.

The loans to related parties of the Group of CHF 4.4 million (2011: CHF 4.6 million) bear interest at market related interest rates.

21. DEFERRED TAX ASSETS AND LIABILITIES

Development of deferred tax assets and liabilities

Deferred tax assets and liabilities are calculated using the liability method on all temporary differences. The following table shows the development of deferred income tax assets and deferred income tax liabilities.

In thousands of Swiss francs	2012	2011
Deferred tax assets		
Balance as of 1 January	872	646
Changes recognized in income statement	2'063	222
Effect of movements in exchange rates	(2)	4
Balance of deferred tax assets as of 31 December	**2'933**	**872**
Deferred tax liabilities		
Balance as of 1 January	(1'307)	(2'034)
Changes recognized in income statement	(3'360)	706
Effect of movements in exchange rates	10	21
Balance of deferred tax liabilities as of 31 December	**(4'657)**	**(1'307)**
Deferred tax, net		
As of 1 January	(435)	(1'388)
As of 31 December	**(1'724)**	**(435)**

21. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Analysis of deferred tax balances

The following table shows the tax effects on the temporary differences existing between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements as gross amounts before offsetting within the same taxable entities. Period movements in the significant assets and liabilities classes giving rise to temporary differences are analyzed below:

In thousands of Swiss francs						2012
	Non-current assets	Other invest-ments	Employee benefits (IAS 19)	Employee benefits (IFRS 2)	Others	Total
Deferred tax assets	–	–	15	840	17	872
Deferred tax liabilities	–	(1’203)	–	–	(104)	(1’307)
Balance as of 1 January 2012, net	**–**	**(1’203)**	**15**	**840**	**(87)**	**(435)**
Movements in 2012						
Balance as of 1 January 2012	–	(1’203)	15	840	(87)	(435)
Effect of movement in exchange rates	53	76	–	(118)	(3)	8
Changes recognized in the income statement	(2’148)	(2’398)	183	2’490	576	(1’297)
Balance as of 31 December 2012, net	**(2’095)**	**(3’525)**	**198**	**3’212**	**486**	**(1’724)**
Deferred tax assets, gross	–	–	198	6’764	558	7’520
Deferred tax liabilities, gross	(2’095)	(3’525)	–	(3’552)	(72)	(9’243)
Balance as of 31 December 2012, net	**(2’095)**	**(3’525)**	**198**	**3’212**	**486**	**(1’724)**

In thousands of Swiss francs					2011
	Other invest-ments	Employee benefits (IAS 19)	Employee benefits (IFRS 2)	Others	Total
Deferred tax assets	–	–	646	–	646
Deferred tax liabilities	(371)	(149)	–	(1’514)	(2’034)
Balance as of 1 January 2011, net	**(371)**	**(149)**	**646**	**(1’514)**	**(1’388)**
Movements in 2011					
Balance as of 1 January 2011	(371)	(149)	646	(1’514)	(1’388)
Effect of movement in exchange rates	20	–	5	–	25
Changes recognized in the income statement	(852)	164	189	1’427	928
Balance as of 31 December 2011, net	**(1’203)**	**15**	**840**	**(87)**	**(435)**
Deferred tax assets, gross	–	15	840	17	872
Deferred tax liabilities, gross	(1’203)	–	–	(104)	(1’307)
Balance as of 31 December 2011, net	**(1’203)**	**15**	**840**	**(87)**	**(435)**

21. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Non-current assets
Taxable temporary differences arise between the tax bases of property and equipment as well as intangible assets and their carrying amounts in the consolidated financial statements.

Other investments
Taxable temporary differences arise between the tax bases of other investments in certain jurisdictions and the carrying amounts (fair values with regard to the application of IAS 39) in the consolidated financial statements. The revaluation is included in net finance income and expense (see note 10).

Employee benefits (IAS 19)
The Group recognizes deferred tax assets or liabilities out of the application of IAS 19 (see note 25(a)).

Employee benefits (IFRS 2)
Taxable temporary differences arise (in accordance with IAS 12.68A) from the recognition of expenses for employee benefits (see note 25(b)) in the applicable accounting period in accordance with IFRS 2, "Share-based Payment", but the tax deduction based on these expenses is received in a different period; e.g. only until the options and non-vested shares are exercised or vested, with the measurement of the tax deduction based on the share price at the date of exercise or vesting.

Tax loss carry-forwards
Some Group companies generated net losses during the years under review, resulting in potential future deductions, once the companies generate a net profit. The analysis of the net operating losses carried forward is as follows:

In thousands of Swiss francs	**2012**	**2011**
Tax relevant losses carried forward as of 1 January	25	574
Additional losses in the current reporting period	6	4
Utilized losses carried forward	–	(553)
Balance as of 31 December	**31**	**25**

The losses carried forward expire within the following time frame:

In thousands of Swiss francs	**2012**	**2011**
Amount not due to expire	31	25
Total losses carried forward	**31**	**25**

Since the future utilization of the losses carried forward is uncertain, the Group does not recognize any deferred tax assets in respect of these amounts.

The Group does not recognize deferred taxes for all taxable temporary differences associated with investments in group entities, branches and associated companies. Due to the tax status of the companies holding such investments, no deferred tax would arise upon realization of such differences.

22. ACCRUED EXPENSES

In thousands of Swiss francs	2012	2011
Bonus accruals – to be paid out in the following year	33’472	21’201
Third party fees	2’813	3’617
Outstanding invoices	579	2’296
Derivative liabilities	174	1’990
Other accrued expenses	12’182	5’699
Total accrued expenses	**49’220**	**34’803**

23. OTHER CURRENT LIABILITIES

In thousands of Swiss francs	2012	2011
Social securities and other taxes	2’749	461
Other current liabilities	289	249
Total other current liabilities	**3’038**	**710**

24. BORROWINGS

As of the balance sheet date, the Group had no borrowings outstanding (2011: nil), but maintains credit lines with banks (see note 4.3). For information regarding the Group’s exposure to interest rate and foreign currency risk refer to note 4.4.

25. EMPLOYEE BENEFITS

(a) Pension obligations

Liability for defined benefit obligations

The Group's only defined benefit plan is the plan for its Swiss employees. The plan is maintained by Gemini Sammelstiftung, Zurich/Switzerland. The plan provides benefits that meet or exceed the minimum benefits required under Swiss law, including the legal coordination charge, which is also insured. The monthly premium is split equally between employer and employees.

Balance sheet as of 31 December

In thousands of Swiss francs	2012	2011
Fair value of plan assets	40'028	32'565
Present value of benefit obligation	(39'840)	(35'849)
Funded status	**188**	**(3'284)**
Unrecognized actuarial (gain)/loss	(1'290)	3'200
Net asset/(liability) in balance sheet	**(1'102)**	**(84)**

Movements in net asset/(liability) recognized in balance sheet

In thousands of Swiss francs	2012	2011
Net asset/(liability) in balance sheet as of 1 January	(84)	827
Expense recognized in income statement	(2'353)	(2'275)
Employers' contributions	1'335	1'364
Net asset/(liability) in balance sheet as of 31 December	**(1'102)**	**(84)**

Development of obligations and assets

In thousands of Swiss francs	2012	2011
Present value of benefit obligation as of 1 January	(35'849)	(32'765)
Service cost	(4'020)	(3'697)
Interest cost	(807)	(901)
Benefits paid	(2'236)	251
Actuarial gain/(loss) on benefit obligation	3'072	1'263
Present value of benefit obligation as of 31 December	**(39'840)**	**(35'849)**
Fair value of plan assets as of 1 January	32'565	29'383
Expected return on plan assets	1'140	1'028
Employers' contributions	1'335	1'364
Employees' contributions	1'334	1'364
Benefits paid	2'236	(251)
Actuarial gain/(loss) on plan assets	1'418	(323)
Fair value of plan assets as of 31 December	**40'028**	**32'565**

25. EMPLOYEE BENEFITS (CONTINUED)

Expense recognized in income statement

In thousands of Swiss francs	2012	2011
Service cost	(4’020)	(3’697)
Interest cost	(807)	(901)
Expected return on plan assets	1’140	1’028
Actuarial gain/(loss) outside corridor recognized in period	–	(69)
Periodic pension cost	**(3’687)**	**(3’639)**
Employees’ contributions	1’334	1’364
Expense recognized in income statement	**(2’353)**	**(2’275)**

The expense is recognized in personnel expenses (see note 9).

Return

	2012	2011
Actual return on plan assets	**7.89%**	**2.38%**

Principal actuarial assumptions as of 31 December

	2012	2011
Discount rate	1.75%	2.25%
Expected net return on plan assets	3.50%	3.50%
Average future salary increases	1.50%	2.00%
Future pension increases	0.00%	0.00%

Asset allocation as of 31 December

In thousands of Swiss francs	2012	2011	Expected long-term rate of return	Contribution to rate of return
Cash	10.8%	8.0%	0.125%	0.01%
Bonds	26.8%	28.3%	2.25%	0.60%
Equities	26.4%	17.7%	3.50%	0.92%
Property	0.0%	0.0%	4.00%	0.00%
Other	36.0%	46.0%	5.50%	1.98%
Total	**100.0%**	**100.0%**		**3.51%**
			Cost, rounding	(0.01%)
			Net return	**3.50%**
Entity’s own transferable bonds	–	–		
Entity’s own transferable equities	–	–		
Property occupied by entity	–	–		
Other assets used by entity	–	–		

25. EMPLOYEE BENEFITS (CONTINUED)

Development of defined benefit pension plans

In thousands of Swiss francs	2012	2011	2010	2009	2008
Fair value of plan assets	40’028	32’565	29’383	23’596	19’730
Present value of benefit obligation	(39’840)	(35’849)	(32’765)	(28’150)	(25’829)
Funded/(unfunded) status	**188**	**(3’284)**	**(3’382)**	**(4’554)**	**(6’099)**
Change in assumptions gain/(loss) on plan liabilities	2’260	307	(1’921)	(50)	–
Experience gain/(loss) on plan liabilities	812	956	699	864	(948)
Experience gain/(loss) on plan assets	1’418	(323)	1’244	319	(4’753)
Total actuarial gain/(loss)	**4’490**	**940**	**22**	**1’133**	**(5’701)**

The expected employer’s contribution in 2013 amounts to CHF 1.4 million.

25. EMPLOYEE BENEFITS (CONTINUED)

(b) Share-based payments

Options and share grants

The Group started to establish share option programs in 2000. Up until 30 June 2006 the option grants vested at grant. Thereafter, the Group implemented vesting conditions consisting of a five respectively six year service period. Starting in 2010, the Group implemented an additional plan for more junior employees with vesting conditions of a two year service period for 35% of the non-vested share grants.

Option and non-vested share grants	Grant date	Number of instruments	Vesting conditions	Expiry date
Options	31.12.2005	1’738’170	none	31.12.2015
Options	30.06.2006	26’700	none	30.06.2016
Options	16.08.2006	26’700	5 years’ service	16.08.2016
Options	09.10.2006	26’700	5 years’ service	09.10.2016
Options	30.11.2006	8’549	none	30.11.2016
Options	30.11.2006	324’720	5 years’ service	30.11.2016
Options	30.11.2006	507’300	6 years’ service	30.11.2016
Options	19.11.2007	921’140	5 years’ service	19.11.2017
Options	24.11.2008	743’840	5 years’ service	24.11.2018
Non-vested shares	24.11.2008	185’960	5 years’ service	indefinite
Options	26.11.2009	4’070	none	26.11.2019
Options	26.11.2009	269’880	5 years’ service	26.11.2019
Non-vested shares	26.11.2009	134’940	5 years’ service	indefinite
Options	17.11.2010	219’450	5 years’ service	17.11.2020
Non-vested shares	17.11.2010	90’869	5 years’ service	indefinite
Non-vested shares	17.11.2010	18’856	2 years’ service	indefinite
Non-vested shares	17.11.2010	10’905	2.3 yrs’ service	indefinite
Options	1.1.2011	39’735	5 years’ service	17.11.2020
Non-vested shares	1.1.2011	20’000	5 years’ service	indefinite
Options	14.11.2011	9’496	none	14.11.2021
Options	14.11.2011	137’600	5 years’ service	14.11.2021
Non-vested shares	14.11.2011	51’432	5 years’ service	indefinite
Non-vested shares	14.11.2011	17’367	2 years’ service	indefinite
Options	14.12.2011	4’000	5 years’ service	14.11.2021
Non-vested shares	14.12.2011	2’000	5 years’ service	indefinite
Options	30.11.2012	4’904	none	30.11.2022
Options	30.11.2012	224’102	5 years’ service	30.11.2022
Non-vested shares	30.11.2012	92’744	5 years’ service	indefinite
Non-vested shares	30.11.2012	19’344	2 years’ service	indefinite
Total options/non-vested shares granted since 2005		**5’881’473**		
Options/non-vested shares expired/ forfeited since grant date		(904’726)		
Exercises up to 2011		(1’571’620)		
Exercises during 2012		(304’391)		
Net options/non-vested shares outstanding as of 31 December 2012		**3’100’736**		

25. EMPLOYEE BENEFITS (CONTINUED)

In 2012, the Group further granted 5'481 (2011: 7'660) shares to employees of the Group that commenced employment with the Group in 2012. These shares are subject to a vesting period of one year. In addition, the shares are subject to a restriction period of maximum five years, which is shortened if the employee resigns from the Group before the end of the restriction period.

Share grants	Year	Number of instruments	Vesting conditions
Shares	2008	5'070	1 year service
Shares	2009	2'885	1 year service
Shares	2010	5'330	1 year service
Shares	2011	7'660	1 year service
Shares	2012	5'481	1 year service

The number and weighted average exercise prices of share options and non-vested shares are as follows:

	Weighted average exercise price (in CHF)	Number of instruments	Weighted average exercise price (in CHF)	Number of instruments
	2012	2012	2011	2011
Outstanding as of 1 January	119.53	3'256'462	93.38	4'747'349
Forfeited during the period	124.54	(192'429)	124.99	(242'569)
Exercised during the period	110.29	(304'391)	40.21	(1'529'948)
Granted during the period – options	236.00	229'006	197.92	190'831
Granted during the period – shares	–	112'088	–	90'799
Outstanding as of 31 December	**124.41**	**3'100'736**	**119.53**	**3'256'462**
Exercisable as of 31 December		**1'160'718**		**777'122**

Of the outstanding 3'100'736 options and non-vested shares under the diverse programs of the Group, 1'160'718 options and non-vested shares are exercisable immediately, and all other options and non-vested shares are subject to a restriction period of at least until 13 March 2013. The outstanding instruments are split by strike price and grant year as follows:

Grant year	Strike price in CHF	Numbers of instruments outstanding as of 31 December 2012	Numbers of instruments outstanding as of 31 December 2011
Options granted in 2005	29.96	22'768	100'894
Options granted in 2005	44.94	26'700	26'700
Options granted in 2006	93.63	–	13'000
Options granted in 2006	138.00	509'099	636'528
Options granted in 2007	159.00	596'313	737'640
Options granted in 2008	100.00	603'363	639'200
Options granted in 2009	150.00	211'790	235'250
Options granted in 2010 and 1.1.2011	209.00	217'290	239'285
Options granted in 2011	195.00	139'696	151'096
Options granted in 2012	236.00	229'006	–
Non-vested shares granted from 2008 to 2012	–	544'711	476'869
Total instruments outstanding		**3'100'736**	**3'256'462**

25. EMPLOYEE BENEFITS (CONTINUED)

The fair value of services in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model. Instead of the contractual life of the option, the input to the model is based on the expected time of execution, taking into account the exercise restriction of the options.

Fair value of share options and non-vested shares granted in 2012, and related assumptions:

	Vested options	Options	Non-vested shares	Non-vested shares
Date of grant	**30.11.2012**	**30.11.2012**	**30.11.2012**	**30.11.2012**
Fair value per option/non-vested share at measurement date (in CHF)	20.39	20.39	177.12	177.12
Share price (in CHF)	196.80	196.80	196.80	196.80
Exercise price (in CHF)	236.00	236.00	–	–
Expected volatility	26.67%	26.67%		
Expected term of execution	5 years	5 years		
Expected dividend ratio	3.24%	3.24%		
Risk-free interest rate (based on Swap rates)	0.04%	0.04%		
Total options/non-vested shares granted	4’904	224’102	92’744	19’344
Amount to be recognized as service expense (in CHF)	99’993	4’569’440	16’426’817	3’426’209
Amount recognized in income statement in current year (in CHF)	**99’993**	**761’573**	**2’737’803**	**1’142’070**
Total amount recognized in income statement in current year (in CHF)				**4’741’439**

The applied expected five year volatility is determined using an average volatility. The Group has calculated the average of the historic five year volatility of the Company’s stock and the longest available future implied volatility for the Company’s shares/options in the market. As of 30 November 2012 this average calculation resulted in an expected five year volatility of 26.67% (14 November 2011: 30.00%).

The Group grants non-vested shares together with options on an annual basis at the absolute discretion of the BoD. These shares are subject to vesting periods of either two or five years since they were granted. For the five year vesting periods, the Group already as of grant date recognizes a sixth of the corresponding amount in the income statement. For the non-vested shares with a service period of 2 years, the Group already as of grant date recognizes a third of the corresponding amount in the income statement.

In 2011, the Group introduced a management carry program (“MCP”), whereby a portion of the potential future performance fees (“carry pool”) from investments made during a relevant investment period is allocated on a discretionary basis to certain of its senior professionals. The Nomination and Compensation Committee and the BoD envisage an allocation of approximately 30-35% of the total carry pool to eligible employees. The MCP includes an up to five year cliff-vesting period in line with the Group’s overall long-term incentive schemes. The MCP will be paid in cash to the eligible employees. At this point in time, future performance fees cannot be predicted for these investments, because they depend on numerous variable parameters and future events. As a consequence, future costs associated with the MCP cannot be reliably estimated so that the Group does not recognize future liabilities for the MCP allocations, in line with the governing accrual principle. Hence, MCP allocation costs will be recognized in the same period when the corresponding performance fees will be recognized, which is once the likelihood of a potential future claw-back is not considered meaningful anymore in the assessment of the Group.

26. DERIVATIVES ARISING FROM INSURANCE CONTRACT

(a) Introduction

Pearl Holding Limited

In 2000, the Group entered into an agreement with the investment program of Pearl Holding Limited ("Pearl") through its fully consolidated subsidiary Pearl Management Limited ("PML"), to act as a policyholder for an insurance entered into by a subsidiary of Swiss Re, insuring the repayment of the principal amount of a convertible bond issued by Pearl.

PML only acts as policyholder and paid certain amounts into an experience account (see note 20), which serves as first-level-coverage in the case of a default of Pearl. The Group's exposure depends on the development of the value of the portfolio of Pearl, and thus is classified as a derivative financial instrument. The Group's exposure is limited to the value of the assets contained in the experience account. Due to the positive development of the value of the portfolio of Pearl and based on the valuation applying the Black-Scholes model, part of the derivatives arising from insurance contract was reduced in 2012.

On 30 March 2006, the Group entered into an additional agreement with Swiss Re regarding the extension of the term of the aforesaid bond from 30 September 2010 to 30 September 2014 and an increase of the redemption amount of the bond from EUR 660 million to EUR 712.8 million. The agreement became effective on 1 January 2006. Under this agreement, the Group has committed to invest an additional EUR 33 million into the experience account until 30 September 2010 to provide for further security. The discounted amount of EUR 28.5 million (CHF 44.8 million at the time) was paid into the experience account on 20 December 2006. The Group's risk associated with its exposure as policyholder for Pearl is still limited to the value of the experience account; but the additional payment was recognized as an additional intangible asset (see note 17) and an additional derivative liability.

(b) Basic assumptions

The derivative financial instrument is valued applying the Black-Scholes model. The following assumptions were applied for the input parameters of the model:

	2012	2011
Net asset value (in relation to bond notional)	107%	104%
Strike price (in millions)	EUR 712.8	EUR 712.8
Dividend yield	3.48%	4.08%
Risk free interest rate	0.48%	1.22%
Implicit volatility	12%	12%
Term of option	30.09.2014	30.09.2014

26. DERIVATIVES ARISING FROM INSURANCE CONTRACT (CONTINUED)

Share price
The share price reflects the net asset value of the investment program Pearl as of the relevant balance sheet date.

Strike price
The strike price reflects the redemption amount of the bond.

Dividend yield
The dividend yield reflects the outflows in Pearl with regards to investment management fee, insurance premium and administration fees. The investment management fees, as well as the insurance premium, take into account a potential over-commitment of Pearl, as these fees are based on the higher of (i) net asset value of Pearl or (ii) net asset value of private equity assets invested plus unfunded commitments. Since the second base may be higher than the net assets of Pearl, the dividend yield has to be adjusted accordingly to reflect it.

Implicit volatility
The implicit volatility is based on the historic volatility for a comparable private equity portfolio, reflecting the given level of diversification in terms of stages, vintage years, industries and geographies.

Fair value of derivative financial instrument
The fair value calculated, using the Black-Scholes model and the assumptions as indicated above, result in an option liability that is currently below the respective amount shown as assets held in experience account (see note 20). Therefore, the balance of the derivative liabilities arising from insurance contract relating to Pearl currently represents a lower amount than the assets contained in the experience account.

(c) Derivative liabilities arising from insurance contract

In thousands of Swiss francs	2012	2011
Balance as of 1 January	83’470	84’588
Change in fair value	(204)	1’191
Effect of movements in exchange rates	(655)	(2’309)
Balance as of 31 December	**82’611**	**83’470**

27. SHARE CAPITAL AND RESERVES

In effective number of shares	2012	2011
Issued as of 1 January	26’700’000	26’700’000
Issued during the period	–	–
Issued as of 31 December – fully paid in	**26’700’000**	**26’700’000**

The issued share capital comprises 26’700’000 registered shares (2011: 26’700’000) at CHF 0.01 each. The holders of ordinary shares are entitled to receive dividends, as declared from time to time, and are entitled to one vote per share at shareholder meetings of the Company.

Legal reserves

The legal reserves comprise the reserves which are to be maintained due to the legal requirements as indicated in the Swiss Code of Obligations. The Group’s legal reserves amounted to CHF 218’100 as of 31 December 2012 (2011: CHF 218’100) consisting of CHF 217’100 (2011: CHF 217’100) for legal reserves from capital contributions and of CHF 1’000 (2011: CHF 1’000) for other legal reserves.

Treasury shares

Treasury shares are recognized at cost and presented separately within equity. At the balance sheet date, the Group held 1’218’791 (2011: 1’309’778) of the Company’s issued shares. The Group holds treasury shares to provide for shares for existing share and option programs.

Translation reserves

The translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign entities included in the consolidation.

Dividends

After the balance sheet date, the Board of Directors proposed a dividend distribution of CHF 166.9 million (CHF 6.25 per share). During the reporting period, the Company paid a dividend of CHF 139.3 million (CHF 5.50 per share) (2011: CHF 127.2 million, CHF 5.00 per share). As the Group’s treasury shares were not eligible for a dividend payment, the approved dividend distribution of CHF 146.9 million was not fully distributed.

27. SHARE CAPITAL AND RESERVES (CONTINUED)

Outstanding shares

The computation of the weighted average number of ordinary shares outstanding during the period is based on the following figures:

In effective number of shares			2012
	Shares issued	**Treasury shares**	**Shares outstanding**
Balance as of 1 January 2012	26’700’000	1’309’778	25’390’222
Purchase of treasury shares		1’308’743	(1’308’743)
Disposal of treasury shares		(1’399’730)	1’399’730
Balance as of 31 December 2012	**26’700’000**	**1’218’791**	**25’481’209**
Weighted average number of shares outstanding during the period (360 days)			25’343’643
Shareholders above 5% (in % of shares issued)		**Shares held**	**in %**
Gantner Alfred		2’673’659	10.01%
Erni Marcel		2’673’659	10.01%
Wietlisbach Urs		2’673’659	10.01%

Alfred Gantner, Marcel Erni and Urs Wietlisbach have entered into a lock-up agreement comprising all of their remaining shareholdings following the conclusion of the placement of a minority portion of their shareholdings in November 2012. This lock-up agreement expires on 1 January 2014.

In effective number of shares			2011
	Shares issued	**Treasury shares**	**Shares outstanding**
Balance as of 1 January 2011	26’700’000	1’952’821	24’747’179
Purchase of treasury shares		2’624’099	(2’624’099)
Disposal of treasury shares		(3’267’142)	3’267’142
Balance as of 31 December 2011	**26’700’000**	**1’309’778**	**25’390’222**
Weighted average number of shares outstanding during the period (360 days)			25’291’840
Shareholders above 5% (in % of shares issued)		**Shares held**	**in %**
Gantner Alfred		3’790’326	14.20%
Erni Marcel		3’790’326	14.20%
Wietlisbach Urs		3’790’326	14.20%

28. EARNINGS PER SHARE

	2012	2011
Basic and diluted earnings per share		
Net profit for the period (in thousands of Swiss francs)	257’280	202’086
Weighted average number of ordinary shares outstanding	25’343’643	25’291’840
Average fair value of one ordinary share during the period (in Swiss francs)	179.99	170.65
Weighted average number of shares under option during the period	2’624’444	3’015’418
Weighted exercise price for shares under option during the period (in Swiss francs)	142.43	130.42

2012	Earnings per share	Net profit	Number of shares
Net profit for the period (in thousands of Swiss francs)		257’280	
Weighted average number of ordinary shares outstanding			25’343’643
Basic earnings per share (in Swiss francs)	**10.15**		
Weighted average number of shares under option during the period			2’624’444
Number of shares that would have been issued at fair value [1]			(2’021’878)
Diluted earnings per share (in Swiss francs)	**9.92**		**25’946’209**

2011	Earnings per share	Net profit	Number of shares
Net profit for the period (in thousands of Swiss francs)		202’086	
Weighted average number of ordinary shares outstanding			25’291’840
Basic earnings per share (in Swiss francs)	**7.99**		
Weighted average number of shares under option during the period			3’015’418
Number of shares that would have been issued at fair value [1]			(2’244’939)
Diluted earnings per share (in Swiss francs)	**7.75**		**26’062’319**

1) calculated on the basis of each individual share option grant

As of 31 December 2012 the Group had 3’100’736 options and non-vested shares outstanding (2011: 3’256’462). To cover the outstanding options at an average fair value of the shares during the period of CHF 179.99 (2011: CHF 170.65), net (i.e. after considering the respective strike price) 602’566 treasury shares are necessary (2011: 770’479). The treasury shares necessary to cover the granted non-vested shares, on the other hand, have already been put aside in a separate escrow account. Thus, the number of treasury shares (see note 27) is already net of non-vested shares outstanding.

29. OPERATING LEASES

Leases as a lessee

Non-cancelable operating lease rentals are payable as follows:

In thousands of Swiss francs	2012	2011
Less than one year	7'694	8'561
Between one and five years	25'527	33'813
More than five years	7'844	9'392
Total	**41'065**	**51'766**

The Group classifies its office rental liabilities under operating leases. None of the leases include contingent rentals.

During the current year, CHF 8.0 million was recognized as an expense in the income statement in respect of operating leases (2011: CHF 5.5 million).

30. CAPITAL COMMITMENTS

As of 31 December 2012 the Group had capital commitment contracts for CHF 270.9 million (2011: CHF 225.1 million), whereof CHF 112.7 million (2011: CHF 93.6 million) were not yet called by the relevant investment manager. The capital commitments are called over time, usually between one to five years since subscription for the commitment. In addition the Group may selectively enter into capital commitment contracts to bridge investments for investment programs managed by the Group (see notes 15 and 19).

31. CONTINGENCIES

The Group currently has contingent assets resulting from the disposal in 2010 of Partners Group Fund Services Limited, Guernsey, where the transaction price includes potential earn-out payments. Currently, the future financial impact cannot be assessed reliably.

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from those contingent liabilities.

32. RELATED PARTY TRANSACTIONS

The Group has a related party relationship with its group entities/subsidiaries (see note 33), associates (see note 18), investment programs (see note 19), pension funds (see note 25), as well as with its management and significant shareholders and their related parties.

Associates purchased services from the Group in the amount of CHF 0.3 million (2011: CHF 0.3 million) and at the balance sheet date associates owed CHF 75’000 to the Group (2011: CHF 75’000). The Group received dividends of CHF 3.7 million (2011: CHF 3.4 million) from associates (see note 18).

Loans to related parties of the Group amount to CHF 4.4 million (2011: CHF 4.6 million) and are included in other financial assets (see note 20).

The Group purchased treasury shares from its shareholders as follows:

In effective number of shares	2012	2011
Purchase of shares from shareholders employed by the Group	311’337	1’084’333
	311’337	**1’084’333**
Average purchase price per share (in Swiss francs)	172.19	169.03

The Group is managed by the Board of Directors of the Company and the Executive Board of the Group. The total personnel expenses for the Board of Directors of the Company as well as the Executive Board of the Group included in personnel expenses (see note 9) amounts to:

In thousands of Swiss francs	2012	2011
Board members of Partners Group Holding AG:		
Short-term employment benefits	946	900
Post-employment benefits	154	133
Share-based payment expenses	100	200
Total Board members	**1’200**	**1’233**
Executive Board:		
Short-term employment benefits	6’402	6’267
Post-employment benefits	353	587
Share-based payment expenses	931	–
Total Executive Board	**7’686**	**6’854**
Total Board members and Executive Board	**8’886**	**8’087**

The Group provides the members of the Board of Directors and the Executive Board who hold investments in Partners Group products with partial rebates on management fees (i.e. preferential management fee rates are granted). The same conditions apply to all employees of the Group.

32. RELATED PARTY TRANSACTIONS (CONTINUED)

The Board of Directors of the Company and the Executive Board of the Group can also participate in the Group's share option program (see note 25). At the relevant balance sheet date, they were entitled to the following number of options, non-vested shares and shares:

Restricted share options and non-vested shares:

In effective number of options and non-vested shares	2012	2011
Board members (vested options)	20'443	15'539
Members of the Executive Board (non-vested options and shares)	573'623	560'798
Total	**594'066**	**576'337**

Share ownership (unrestricted):

In effective number of shares	2012	2011
Board members	8'028'477	11'378'478
Members of the Executive Board	1'357'418	1'424'128
Total	**9'385'895**	**12'802'606**

For further information in accordance with Art. 663b^{bis} and 663c of the Swiss Code of Obligations refer to notes 10 and 11 of the entity accounts of Partners Group Holding AG.

33. SUBSIDIARIES

Details of the Group's operating subsidiaries as of the reporting date are set out below:

			Proportion of ownership interest and voting rights held by the Group	
Name of the subsidiary	**Principal activity**	**Place of incorporation and operation**	**2012**	**2011**
Partners Group AG	Investment manager	Switzerland	100%	100%
Asset Management Partners AG	Asset management	Switzerland	84%	84%
Alternative Beta Partners AG	Asset management	Switzerland	55%	55%
Partners Group (Brazil) Investimentos Ltda.	Investment manager	Brazil	100%	100%
Partners Group (France) SAS	Investment manager	France	100%	100%
Partners Group (Deutschland) GmbH	Investment manager	Germany	100%	100%
Partners Group (Luxembourg) S.à r.l.	Investment manager	Luxembourg	100%	100%
Partners Group (Guernsey) Limited	Investment manager	Guernsey	100%	100%
Partners Group (UK) Limited	Investment manager	UK	100%	100%
Partners Group (USA) Inc.	Investment manager	USA	100%	100%
Partners Group (Singapore) Pte. Limited	Investment manager	Singapore	100%	100%

At the end of the reporting period, the Group had other subsidiaries that perform advisory services and hold the investments in the investment programs (see note 19). The principal activities and their place of operation are summarized as follows:

		Number of subsidiaries	
Principal activity	**Place of incorporation and operation**	**2012**	**2011**
General partner to investment programs	Guernsey	15	15
General partner to investment programs	Scotland	2	2
General partner to investment programs	Germany	1	1
Manager to investment vehicles	USA	1	1
Manager to investment programs	Luxembourg	3	3
Client access management	Guernsey	1	1
Financing/treasury	Guernsey	5	5
Management and advisory services to investment programs	Guernsey	3	3

The Group does not have any material non-controlling interests.

34. SUBSEQUENT EVENTS

No events took place between 31 December 2012 and 8 March 2013 that would require material adjustments to the amounts recognized in these consolidated financial statements.

INDEX TO THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING AG AND REPORT OF THE AUDITORS

REPORT OF THE AUDITORS ON THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING AG

KPMG AG
Audit Financial Services
Badenerstrasse 172
CH-8004 Zürich

Postfach
CH-8026 Zürich

Telefon +41 58 249 31 31
Telefax +41 58 249 44 06
Internet www.kpmg.ch

Report of the Statutory Auditor on the Financial Statements to the General Meeting of Shareholders of

Partners Group Holding AG, Baar

As statutory auditor, we have audited the accompanying financial statements of Partners Group Holding AG, which comprise the balance sheet, income statement and notes (pages 110 to 121) for the year ended 31 December 2012.

Board of Directors' Responsibility

The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2012 comply with Swiss law and the company's articles of incorporation.

REPORT OF THE AUDITORS ON THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING AG

Partners Group Holding AG, Baar
Report of the Statutory Auditor
on the Financial Statements
to the General Meeting of Shareholders

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Christoph Gröbli
Licensed Audit Expert
Auditor in Charge

Thomas Dorst
Licensed Audit Expert

Zurich, 8 March 2013

INCOME STATEMENT OF PARTNERS GROUP HOLDING AG FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

In thousands of Swiss francs	2012	2011
Income from financial investments	202’550	281’069
Value adjustments on financial investments	1’066	–
Other financial income	5’330	13’130
Total income	**208’946**	**294’199**
General and administrative expenses	(3’370)	(634)
Value adjustments on financial investments	–	(2’164)
Other financial expenses	(20’000)	(112’029)
Profit before taxes	**185’576**	**179’372**
Taxes	(2’363)	4’625
Net profit for the period	**183’213**	**183’997**

BALANCE SHEET OF PARTNERS GROUP HOLDING AG AS OF 31 DECEMBER 2012 AND 2011

In thousands of Swiss francs	2012	2011
Assets		
Current assets		
Cash and cash equivalents	202’855	57’467
Marketable securities	4’140	2’298
Treasury shares	203’036	194’790
Trade receivables	25	72
Other receivables:		
Third parties	296	261
Group companies	58’099	149’585
Deferred expenses and accrued income	120	80’514
Total current assets	**468’571**	**484’987**
Non-current assets		
Financial investments:		
Participations	506’148	379’414
Loans to group companies	9’658	–
Loans to employees/related parties	3’813	4’136
Other financial assets	658	685
Total non-current assets	**520’277**	**384’235**
Total assets	**988’848**	**869’222**
Liabilities and shareholders’ equity		
Liabilities		
Trade payables:		
Third parties	25	–
Other current liabilities:		
Third parties	2’549	4’070
Group companies	218’904	142’571
Accrued expenses	90	2’389
Provisions	3’130	–
Total liabilities	**224’698**	**149’030**
Shareholders’ equity		
Share capital	267	267
General legal reserves:		
Legal reserves	1	1
Legal reserves from capital contributions	217	217
Reserves for treasury shares	205’825	202’638
Available earnings:		
Retained earnings	374’627	333’072
Net profit for the period	183’213	183’997
Total shareholders’ equity	**764’150**	**720’192**
Total liabilities and shareholders’ equity	**988’848**	**869’222**

NOTES TO THE FINANCIAL STATEMENTS OF PARTNERS GROUP HOLDING AG

1. ACCOUNTING PRINCIPLES

These financial statements have been prepared in accordance with the accounting, presentation and valuation principles of the Swiss Code of Obligations.

2. COMMITMENTS AND CONTINGENT LIABILITIES

In thousands of Swiss francs	2012	2011
Guarantees		
Guarantees for subsidiaries	425'000	385'528
Guarantees for third parties	–	39'472

Partners Group Holding AG maintains the following lines of credit as of 31 December 2012 (see note 4.3 of the consolidated financial statements), where it also guarantees for amounts which might be drawn by its subsidiaries:

- CHF 50 million
- CHF 375 million

The credit facility agreement for the CHF 375 million credit line with a syndicate of Swiss banks refers to a maximum amount of such guarantee, limited to 110% of the overall drawn advances at a time.

3. PARTICIPATIONS

		Share capital				Ownership interest	
In thousands of currency units			2012		2011	2012	2011
Partners Group AG	Switzerland	CHF	200	CHF	200	100%	100%
Princess Management Limited	Guernsey	EUR	6'000	USD	3'600	100%	100%
Partners Group (USA) Inc.	USA	USD	75	USD	75	100%	100%
Partners Group (Guernsey) Limited	Guernsey	GBP	5'000	GBP	5'000	100%	100%
Partners Group (UK) Limited	UK	GBP	450	GBP	450	100%	100%
Partners Group (Luxembourg) S.à r.l.	Luxembourg	EUR	6'635	EUR	6'635	100%	100%
Partners Group (Singapore) Pte. Limited	Singapore	SGD	–	SGD	–	100%	100%
Partners Group (Brazil) Investimentos Ltda.	Brazil	BRL	348	BRL	348	100%	100%
Partners Group (Deutschland) GmbH	Germany	EUR	25	EUR	25	100%	100%
Partners Group (France) SAS	France	EUR	250	EUR	250	100%	100%
Pearl Management Limited	Guernsey	EUR	20	EUR	20	100%	100%
Penta Management Limited	Guernsey	EUR	20	EUR	20	100%	100%
Partners Private Equity Management Limited	Guernsey	CHF	–	CHF	–	100%	100%
LGT Private Equity Advisers AG	Liechtenstein	CHF	1'000	CHF	1'000	40%	40%
Partners Group Private Equity Performance Holding Limited	Guernsey	EUR	10	EUR	10	100%	100%
Pearl Holding Limited	Guernsey	EUR	10	EUR	10	100%	100%
Partners Group Management Limited	Guernsey	EUR	3'620	EUR	3'620	100%	100%
Partners Group Management II Limited	Guernsey	EUR	4'270	EUR	4'270	100%	100%
Partners Group Management III Limited	Guernsey	EUR	15'520	EUR	15'520	100%	100%
Partners Group Management IV Limited	Guernsey	EUR	20	EUR	20	100%	100%
Partners Group Management V Limited	Guernsey	USD	11'820	USD	11'820	100%	100%
Partners Group Management VI Limited	Guernsey	EUR	23'820	EUR	21'820	100%	100%
Partners Group Management VII Limited	Guernsey	USD	4'120	USD	2'120	100%	100%
Partners Group Management VIII Limited	Guernsey	EUR	2'500	EUR	2'500	100%	100%
Partners Group Management IX Limited	Guernsey	EUR	4'020	EUR	1'020	100%	100%
Partners Group Management X Limited	Guernsey	USD	4'420	USD	4'420	100%	100%
Partners Group Management XI Limited	Guernsey	USD	4'000	USD	2'000	100%	100%
Partners Group Management XII Limited	Guernsey	EUR	2'020	EUR	20	100%	100%
Partners Group Management XIII Limited	Guernsey	AUD	5'020	AUD	20	100%	100%
Partners Group Management XIV Limited	Guernsey	USD	20	USD	20	100%	100%
Parterns Group Client Access Management I Limited	Guernsey	EUR	20	EUR	20	100%	100%
Partners Group Management I S.à r.l.	Luxembourg	EUR	4'531	EUR	4'531	100%	100%
Partners Group Management II S.à r.l.	Luxembourg	EUR	5'231	EUR	5'231	100%	100%
Partners Group Management III S.à r.l.	Luxembourg	EUR	31	EUR	31	100%	100%
Partners Group Management (Deutschland) GmbH	Germany	EUR	25	EUR	25	100%	100%

3. PARTICIPATIONS (CONTINUED)

		Share capital				Ownership interest	
In thousands of currency units			2012		2011	2012	2011
Partners Group Finance ICC Limited	Guernsey	CHF	–	CHF	–	100%	100%
Partners Group Finance CHF IC Limited	Guernsey	CHF	–	CHF	–	100%	100%
Partners Group Finance USD IC Limited	Guernsey	USD	–	USD	–	100%	100%
Partners Group Finance EUR IC Limited	Guernsey	EUR	–	EUR	–	100%	100%
Partners Group Finance GBP IC Limited	Guernsey	GBP	–	GBP	–	100%	100%
Asset Management Partners AG	Switzerland	CHF	200	CHF	200	84%	84%
Alternative Beta Partners AG	Switzerland	CHF	100	CHF	100	55%	55%

4. NUMBER OF TREASURY SHARES AS OF 31 DECEMBER

	Number of shares	Average price	Total value
		In Swiss francs	In thousands of Swiss francs
Balance as of 1 January 2011	1’952’821	88.28	172’388
Purchase of treasury shares	2’624’099	160.28	420’589
Sale of treasury shares	(3’267’142)	103.49	(338’125)
Balance as of 31 December 2011	**1’309’778**	**148.72**	
Purchase of treasury shares	1’308’743	174.81	228’785
Sale of treasury shares	(1’399’730)	167.02	(233’779)
Balance as of 31 December 2012	**1’218’791**	**166.59**	

The shares are valued at the lower of transaction or market price. The average value per share amounts to CHF 166.59 (31 December 2011: CHF 148.72).

The company has 3’100’736 (31 December 2011: 3’256’462) outstanding employee options (including non-vested shares) which will vest over the next 10 years (see also note 25 of the consolidated financial statements).

5. RETAINED EARNINGS

In thousands of Swiss francs	2012	2011
Balance as of 1 January	333’072	235’405
Allocation of previous year’s result	183’997	170’490
Dividends paid to shareholders	(139’255)	(127’228)
Net changes in reserves for treasury shares	(3’187)	54’405
Balance as of 31 December	**374’627**	**333’072**

6. CONDITIONAL CAPITAL

The annual general meeting on 27 April 2007 approved the increase of the conditional capital for employee options to:

	2012	2011
Number of registered shares	4’005’000	4’005’000
Par value (in Swiss francs)	40’050	40’050

7. SHAREHOLDERS ABOVE 5% (IN % OF SHARES ISSUED)

	2012	2011
Gantner Alfred	10.01%	14.20%
Erni Marcel	10.01%	14.20%
Wietlisbach Urs	10.01%	14.20%

Alfred Gantner, Marcel Erni and Urs Wietlisbach have entered into a lock-up agreement comprising all of their remaining shareholdings following the conclusion of the placement of a minority portion of their shareholdings in November 2012. This lock-up agreement expires on 1 January 2014.

8. REDUCTION OF SILENT RESERVES IN ACCORDANCE WITH ART. 663B PAR. 8 OF THE SWISS CODE OF OBLIGATIONS

Until 2010, the accounting policy for the accounting of treasury shares resulted in a balance sheet value of the remaining treasury shares that was below market or cost value. The profit resulting from the sale of treasury shares was not recorded in the income statement, but rather offset against the balance sheet value of the remaining treasury shares.

Partners Group Holding AG has changed the accounting policy for treasury shares in 2011, where profits and losses are recorded in the income statement when realized. Due to this change in the accounting policy, Partners Group Holding AG has reduced the silent reserves on the treasury shares balance sheet value by CHF 4.7 million (net of tax) in 2012. This is reflected in the income statement in other financial expenses and income from financial investments.

9. RISK ASSESSMENT DISCLOSURE IN ACCORDANCE WITH ART. 663B PAR. 12 OF THE SWISS CODE OF OBLIGATIONS

The Board of Directors performed an assessment of the risks to which Partners Group Holding AG is exposed to at its meeting on 30 November 2012. The risk management covers in particular the strategic and business risks, operational risks, financial risks as well as reputational risks. The Board of Directors has taken into consideration the internal control system designed to monitor and reduce the risks of the company for its assessment.

10. MANAGEMENT COMPENSATION IN ACCORDANCE WITH ART. 663B[BIS] SWISS CODE OF OBLIGATIONS

In thousands of Swiss francs					2012
	Base compensation (cash)	Variable compensation (cash bonus)	Other compensation[1)]	Options/ shares	Total[2)]
Board of Directors					
Gantner Alfred, Executive Chairman	270	–	70	–	340
Erni Marcel, Executive Vice Chairman	270	–	53	–	323
Wietlisbach Urs, Executive Vice Chairman	270	–	56	–	326
Strutz Eric	25	–	3	25	53
Wuffli Peter	50	–	5	50	105
Zürcher Wolfgang	25	–	3	25	53
Total Board of Directors	**910**	**–**	**190**	**100**	**1'200**
Executive Board					
Meister Steffen, Chief Executive Officer	270	680	75	147	1'172
Wenger Jürg, Chief Operating Officer	270	370	58	98	796
Wipfli Cyrill, Chief Financial Officer	270	305	50	98	723
Alsterlind Pamela	234	342	24	98	698
Biner René	270	420	62	98	850
Frei André	270	330	52	98	750
Haldner Felix	270	450	60	98	878
Näf Stefan	270	480	56	98	904
Schäli Stephan	270	480	67	98	915
Total Executive Board	**2'394**	**3'857**	**504**	**931**	**7'686**

1) amounts include payments by the Group for pension and other benefits
2) amounts include payments of all Group entities

In 2011, the Group introduced a management carry program ("MCP"), whereby a portion of the potential future performance fees ("carry pool") from investments made during a relevant investment period is allocated on a discretionary basis to certain of its senior professionals. The Nomination and Compensation Committee and the Board of Directors envisage an allocation of approximately 30-35% of the total carry pool to eligible employees. The MCP includes an up to five year cliff-vesting period in line with the Group's overall long term incentive schemes.

In 2012, 1.8% of the total carry pool for investments made in 2012 have been allocated to the Board of Directors, namely to Alfred Gantner (0.6%), Marcel Erni (0.6%) and Urs Wietlisbach (0.6%). Furthermore 4.9% of the total carry pool for investments made in 2012 have been allocated to the members of the Executive Board. The highest individual portion is allocated to Steffen Meister (CEO), who is entitled to receive 0.7% of the future carry pool.

In 2012, the Group received approx. CHF 2.2 million of performance fees which are part of the MCP carry pool granted to eligible employees with regard to the MCP in 2011. Thereof 1.8% have been allocated to the Board of Directors, Alfred Gantner (0.6%), Marcel Erni (0.6%) and Urs Wietlisbach (0.6%) and 3.9% have been allocated to the Executive Board. The highest individual portion in the Executive Board is allocated to Steffen Meister (CEO), who will receive 0.6% of the carry pool. The amounts are not distributed in 2012.

10. MANAGEMENT COMPENSATION IN ACCORDANCE WITH ART. 663B^{BIS} SWISS CODE OF OBLIGATIONS (CONTINUED)

In thousands of Swiss francs					2011
	Base compensation (cash)	Variable compensation (cash bonus)	Other compensation[1]	Options/ shares	Total[2]
Board of Directors					
Gantner Alfred, Executive Chairman	300	–	38	–	338
Erni Marcel, Executive Vice Chairman	300	–	43	–	343
Wietlisbach Urs, Executive Vice Chairman	300	–	44	–	344
Strutz Eric	–	–	–	50	50
Wuffli Peter	–	–	5	100	105
Zürcher Wolfgang	–	–	3	50	53
Total Board of Directors	**900**	**–**	**133**	**200**	**1'233**
Executive Board					
Meister Steffen, Chief Executive Officer	270	555	75	–	900
Wenger Jürg, Chief Operating Officer	270	295	60	–	625
Wipfli Cyrill, Chief Financial Officer	220	255	45	–	520
Alsterlind Pamela	222	310	20	–	552
Biner René	257	293	55	–	605
Birchler Kurt [3]	270	230	54	–	554
Frei André [4]	220	255	44	–	519
Haldner Felix	270	330	64	–	664
Näf Stefan	270	370	61	–	701
Schäli Stephan	270	370	62	–	702
Trommsdorff Tilman [3]	270	195	47	–	512
Total Executive Board	**2'809**	**3'458**	**587**	**–**	**6'854**

1) amounts include payments by the Group for pension and other benefits
2) amounts include payments of all Group entities
3) member of the Executive Board until 31 March 2011
4) member of the Executive Board since 1 April 2011

11. MANAGEMENT SHARE OWNERSHIP IN ACCORDANCE WITH ART. 663C SWISS CODE OF OBLIGATIONS

Number of shares/options held as of 31 December 2012			2012
	Share ownership	**Non-vested shares**	**Options**
Board of Directors			
Gantner Alfred, Executive Chairman	2'673'659	–	–
Erni Marcel, Executive Vice Chairman	2'673'659	–	–
Wietlisbach Urs, Executive Vice Chairman	2'673'659	–	–
Strutz Eric	–	–	3'600
Wuffli Peter	6'000	–	9'235
Zürcher Wolfgang	1'500	–	7'608
Executive Board			
Meister Steffen, Chief Executive Officer	534'000	8'575	56'650
Wenger Jürg, Chief Operating Officer	140'333	2'050	34'000
Wipfli Cyrill, Chief Financial Officer	28'255	5'650	41'100
Alsterlind Pamela	2'830	10'448	53'100
Biner René	41'200	5'450	100'700
Frei André	54'139	4'650	29'100
Haldner Felix	347'100	5'150	70'100
Näf Stefan	80'361	9'050	84'400
Schäli Stephan	129'200	6'250	47'200
Total	**9'385'895**	**57'273**	**536'793**

11. MANAGEMENT SHARE OWNERSHIP IN ACCORDANCE WITH ART. 663C SWISS CODE OF OBLIGATIONS (CONTINUED)

Number of shares/options held as of 31 December 2011			2011
	Share ownership	Non-vested shares	Options
Board of Directors			
Gantner Alfred, Executive Chairman	3’790’326	–	–
Erni Marcel, Executive Vice Chairman	3’790’326	–	–
Wietlisbach Urs, Executive Vice Chairman	3’790’326	–	–
Strutz Eric	–	–	2’374
Wuffli Peter	6’000	–	6’783
Zürcher Wolfgang	1’500	–	6’382
Executive Board			
Meister Steffen, Chief Executive Officer	534’000	7’900	55’300
Wenger Jürg, Chief Operating Officer	153’333	1’600	33’100
Wipfli Cyrill, Chief Financial Officer	28’255	5’200	40’200
Alsterlind Pamela	1’540	9’998	52’200
Biner René	41’200	5’000	99’800
Frei André	54’139	4’200	28’200
Haldner Felix	347’100	4’700	69’200
Näf Stefan	110’361	8’600	83’500
Schäli Stephan	154’200	5’800	46’300
Total	**12’802’606**	**52’998**	**523’339**

PROPOSAL BY THE BOARD OF DIRECTORS OF PARTNERS GROUP HOLDING AG FOR THE APPROPRIATION OF AVAILABLE EARNINGS AS OF 31 DECEMBER 2012

In thousands of Swiss francs	2012
Net profit for the year	183'213
Retained earnings	374'627
Available earnings	**557'840**
Proposal by the Board of Directors to the Annual General Meeting of shareholders:	
To be distributed to shareholders	(166'875)
To be carried forward	**390'965**

FURTHER DEVELOPING OUR PRIME PRIVATE MARKETS PLATFORM

André Frei Head Client Services, **Felix Haldner** Head Investment Structures and **Michael Studer** Head Investment Services

Partners Group is committed to meeting high standards of corporate governance, with the aim of guiding our company to further success. Partners Group bases its corporate governance on the "Swiss Code of Best Practice for Corporate Governance" issued by economiesuisse and the "Directive on Information relating to Corporate Governance" issued by the SIX Swiss Exchange. With entities regulated in various jurisdictions, including the Swiss Financial Market Supervisory Authority (FINMA), the US Securities and Exchange Commission (SEC) and the UK Financial Services Authority (FSA), we further uphold the requirements that these regulations imply.

The Corporate Governance section contains information on the following:

1. Group structure and shareholders
2. Capital structure
3. Board of directors
4. Executive board
5. Compensation, shareholdings and loans
6. Shareholders' participation
7. Changes of control and defense measures
8. Auditors
9. Information policy

In this corporate governance report, references to "Partners Group", "Partners Group Holding", the "firm", the "company", the "entity", "we", "us" and "our" are to Partners Group Holding AG together with its consolidated subsidiaries, unless the context requires otherwise.

1. Group structure and shareholders

1.1 Group structure

1.1.1 Description

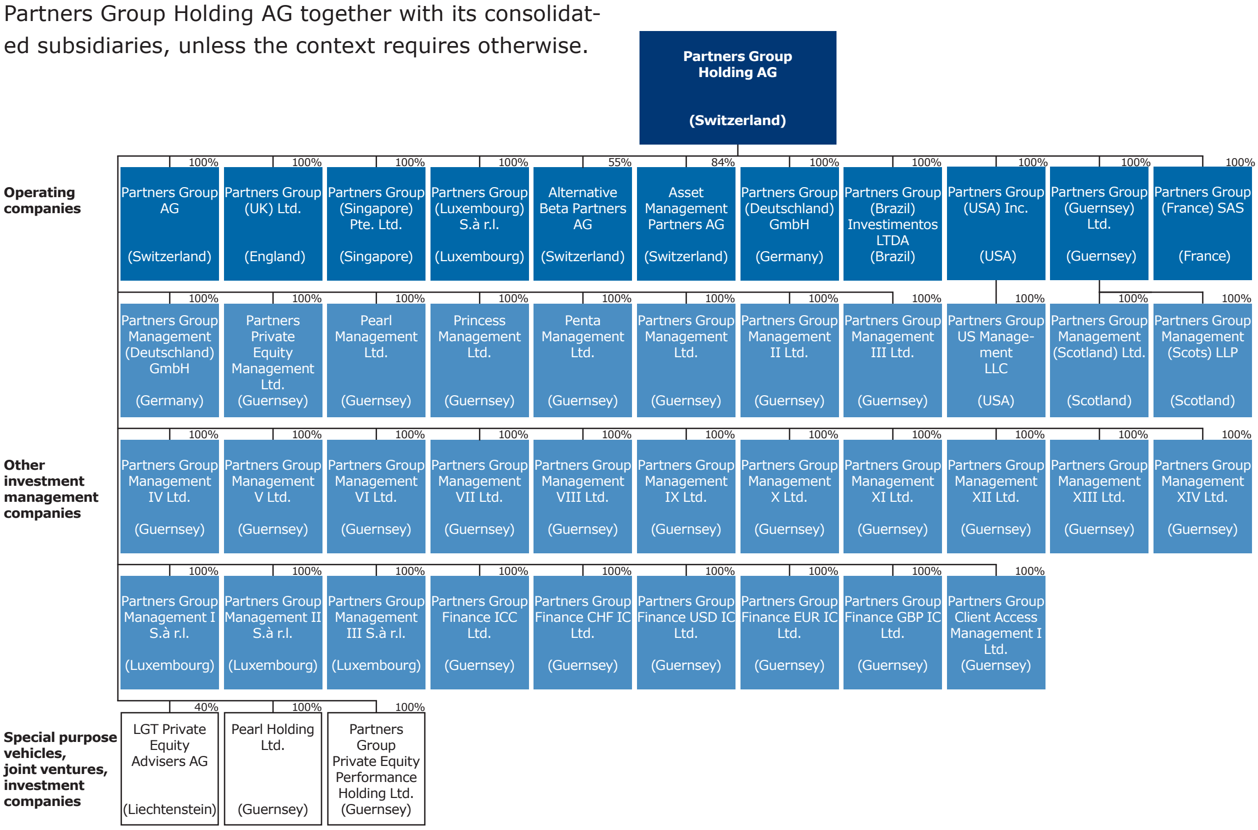
Partners Group Holding operates through majority or wholly owned subsidiaries in Switzerland, the United Kingdom, the United States, Singapore, Guernsey and other jurisdictions. The chart below provides an overview of the group structure as of 31 December 2012.

1.1.2 Listed companies belonging to the Group

Partners Group Holding is a stock corporation incorporated under Swiss law with its registered office and headquarters at Zugerstrasse 57, 6341 Baar-Zug. Partners Group Holding is listed on the SIX Swiss Exchange under the Valor number 002460882 and ISIN CH0024608827. The market capitalization of the company as of 31 December 2012 is CHF 5.6 billion. All other group companies are privately held.

1.1.3 Unlisted companies belonging to the Group

For more detailed information on the unlisted subsidiaries of the group, including names, domiciles, share capital and ownership interests, please see note 3 to the financial statements of Partners Group Holding AG in the annual report 2012.



1.2 Significant shareholders
Partners Group Holding has four shareholders holding over 3% of the shares and voting rights of the company as of 31 December 2012.

Dr. Marcel Erni and Messrs. Alfred Gantner and Urs Wietlisbach each hold 2’673’659 shares, corresponding to 10.01% of the total share capital each. In the course of a placement of a minority portion of their shareholdings in November 2012, Dr. Marcel Erni and Messrs. Alfred Gantner and Urs Wietlisbach have entered into a lock-up agreement comprising all of their shareholdings. This lock-up agreement expires on 1 January 2014.

In addition, a group controlled by BlackRock, Inc., 40 East 52nd Street, New York, NY 10022, USA disclosed an acquisition of shares resulting in a shareholding of 959’534 shares, corresponding to 3.59% of the total share capital, on 9 November 2012.

At year-end Partners Group Holding held 1’218’791 treasury shares, corresponding to 4.56% of the total share capital.

A group of shareholders composed of Dr. Marcel Erni and Messrs. Alfred Gantner and Urs Wietlisbach along with 26 other Partners of Partners Group owning 17.68% of the total share capital as of 24 March 2009 was dissolved for administrative reasons on 18 June 2010. This group was formed at the time of the IPO of Partners Group and the individuals have now each signed a non-compete agreement which expires at the end of March 2013.

All disclosures according to art. 20 of the Stock Exchange Act (SESTA) in 2012 can be found on the SIX Swiss Exchange homepage:
http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html

1.3 Cross-shareholdings
Partners Group Holding has no cross-shareholdings with another company or group of companies.

2. Capital structure

2.1 Capital
The issued nominal share capital of Partners Group Holding amounts to CHF 267’000, comprising 26’700’000 fully paid in registered shares with a nominal value of CHF 0.01 each. Please see section 2.2 below for information on authorized and conditional capital.

2.2 Authorized and conditional share capital
Partners Group Holding has no authorized capital as of 31 December 2012.

Since 30 June 2000, Partners Group Holding has established regular share and option programs that entitle management personnel as well as a large number of employees to purchase and/or hold shares in the entity. The options can be settled either by the issuance of conditional capital or by the delivery of existing shares. Please see note 25 (b) to the consolidated financial statements in the annual report 2012 for comprehensive information on the employee shares and options. In order to be able to cover all outstanding options at any point in time, even on a fully diluted basis, the extraordinary general meeting of shareholders held on 14 December 2005 approved the creation of a conditional capital of a maximum of CHF 13’350, divided into 1’335’000 fully paid-in registered shares of a nominal value of CHF 0.01 each. Furthermore, the annual general meeting of shareholders held on 27 April 2007 approved the increase of the conditional capital to a maximum of CHF 40’050, divided into 4’005’000 fully paid-in registered shares of a nominal value of CHF 0.01 each.

The share capital may be increased through the exercise of options granted to the members of the board of directors and employees of Partners Group in the aggregate amount of the conditional capital. Pre-emptive rights as well as the shareholders’ advance subscription rights are excluded in favor of the option holders. The board of directors will determine all details of the terms of any issue of conditional capital, such as each amount of issue, date of dividend entitlement, and kind of contributions, and will establish the related equity investment plan. The acquisition of the registered shares by exercising the option rights and the further transfer of the shares are subject to the transfer restrictions set forth in section 2.6 below.

Partners Group has disclosed all details of its option plan according to art. 20 SESTA on the SIX Swiss Exchange: http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html

2.3 Changes in capital
No changes in capital have occurred during the last three years.

2.4 Shares and participation certificates
Partners Group Holding has issued 26’700’000 fully paid-in registered shares with a nominal value of CHF 0.01 each and transferability in accordance with our articles of association (available at http://www.partners-group.com/articlesofassociation), as described in section 2.6 below. The shares have been issued in form of book-entry securities. Shareholders do not have the right to ask for printing and delivery of share certificates. A shareholder may, however, at any time demand that Partners Group Holding issue a confirmation of such shareholder’s holding.

Each share carries one vote at shareholders’ meetings. All shares have equal rights. Voting rights and certain other non-economic rights attached to the shares, including the right to call and to attend shareholders’ meetings, may be exercised only after a shareholder has been registered in the share register of Partners Group Holding as a shareholder with voting rights. Such registration requires the approval of the board of directors and is restricted, see section 2.6 below. All shares are entitled to full dividend rights.

Partners Group Holding has not issued (non-voting) participation certificates.

2.5 Profit sharing certificates
Partners Group Holding has not issued any profit sharing certificates.

2.6 Limitations on transferability and nominee registration
Any transfer of shares will not be recognized for purposes of having voting rights with respect to such shares unless a transfer is approved by the board of directors. This limitation also applies to the establishing of a usufruct. If the application of a transferee for recognition is not declined by the board of directors within 20 days, this transferee is deemed to have been recognized as a shareholder. According to art. 6 of the articles of association, the board of directors may refuse to register a transferee as a shareholder with voting rights to the extent that said transferee’s total shareholding would exceed 10% of the total share capital as registered in the commercial register. The board of directors may also refuse to register a transferee as a shareholder with voting rights if the transferee does not expressly declare that it has acquired the shares in its own name and for its own account. If the shares pass by inheritance or matrimonial property law, the transferee may not be refused as a shareholder with voting rights. Entries in the share register may be canceled if they are based on false information on the part of the transferee.

Partners Group Holding has issued special provisions for the registration of nominees. Nominees may be entered in the share register with voting rights for a maximum of 5% of the total share capital as set forth in the commercial register. The board of directors may allow a nominee to exceed this limit if such nominee discloses the name, address and shareholding of any person for whose account it is holding 0.5% or more of the share capital as set forth in the commercial register. The board of directors shall conclude agreements with such nominees concerning disclosure requirements, representation of shares and exercise of voting rights.

Any reversal or amendment of the statutory rules governing the transfer limitation require a quorum of at least two-thirds of the represented votes at the shareholders’ meeting and the absolute majority of the represented nominal value of shares.

No exceptions to the limitations on transferability and nominee registration were granted during the financial year 2012.

2.7 Convertible bonds and options
Partners Group Holding currently has no convertible bonds outstanding.

Since 30 June 2000, Partners Group Holding has established regular share and option programs that entitle management personnel as well as a large number of employees to purchase and/or hold shares in the entity. The options can be settled either by the issuance of conditional capital or by the delivery of existing shares. Please see note 25 (b) to the consolidated financial statements in the annual report 2012 for comprehensive information on the employee shares and options.

Partners Group Holding has not issued any further options or warrants.

The table below shows the current composition of the board of directors:

Name	Director since	Term expires	Nationality	Age	Committee membership[1]	Function
Alfred Gantner	1997	2013	Swiss	44	BDC[2], NCC, RAC	Director, Executive Chairman
Dr. Marcel Erni	1997	2014	Swiss	47	BDC	Director, Executive Vice Chairman
Urs Wietlisbach	1997	2015	Swiss	51	BDC	Director, Executive Vice Chairman
Dr. Eric Strutz	2011	2014	German	48	NCC	Director
Dr. Peter Wuffli	2009	2013	Swiss	55	RAC[2]	Director
Dr. Wolfgang Zürcher	2005	2015	Swiss	48	NCC[2], RAC	Director

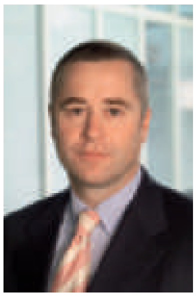
[1] Detailed information on committees is provided in section 3.3 below
RAC: Risk and audit committee
NCC: Nomination and compensation committee
BDC: Business development committee
[2] Committee chair

3. Board of directors

The board of directors of Partners Group Holding is entrusted with the ultimate strategy and direction of the company and the supervision of the management. As of 31 December 2012, the board of directors consists of six members, of which three are executive members.

3.1 Members of the board of directors
The executive members of the board of directors are Dr. Marcel Erni and Messrs. Alfred Gantner and Urs Wietlisbach. Apart from Dr. Marcel Erni and Alfred Gantner's board memberships as mentioned below, the executive members of the board of directors of Partners Group Holding do not hold any management positions or any board memberships outside the Partners Group Holding group or associated companies, nor do they hold any official functions or political posts. The texts below provide information on the professional history and education of each member of the board of directors, including other activities and functions such as mandates on boards of important corporations, organizations and foundations, or permanent functions for important interest groups.

Alfred Gantner is a co-founder of Partners Group and is the firm's Executive Chairman, leading the business strategy and corporate development of the firm. He is chairman of the business development committee and a member of the global portfolio investment committee. He has 21 years of industry experience. Prior to founding Partners Group, he worked for Goldman Sachs & Co. from 1994 to 1996 where, after stays in New York and London, he built up an institutional client business in Switzerland. He started his career in the securities trading department of the UBS Private Banking Group (Cantrade) in Zurich and Geneva from 1988 to 1991. He is a member of the board of directors of Partners Group portfolio company Strategic Partners Corp., Wilmington, DE, USA. He holds an MBA from the Marriott School of Management at Brigham Young University.



Dr. Marcel Erni is a co-founder of Partners Group and serves as Executive Vice Chairman and Chief Investment Officer, having responsibility for the firm's investment strategy and development. He is a member of the business development committee and the global portfolio investment committee. He has 21 years of industry experience. Prior to founding Partners Group, he was a banker at Goldman Sachs & Co. from 1994 to 1996 and a management consultant at McKinsey & Co. from 1992 to 1994. He is a member of the board of directors of IHAG Holding AG, Zurich, Switzerland, Perennius Capital, Milan, Italy, Castle Private Equity AG, Pfäffikon/SZ, Switzerland, as well as of Global Blue SA, Eysins/VD, Switzerland, a Partners Group portfolio company. He holds an MBA from the University of Chicago and a PhD and master's degree in banking and finance from the University of St. Gallen (HSG).

Urs Wietlisbach is a co-founder of Partners Group and serves as an Executive Vice Chairman, having responsibility for the international business development of the firm. He is a member of the business development committee. He was initially responsible for the firm's partnership investment activities and was instrumental

in building Partners Group's private equity funds portfolio and global industry network. Later, he also focused on business development responsibilities, first in Europe, and subsequently in the US and the Asia-Pacific region. He has 24 years of industry experience. Prior to founding Partners Group, he was an executive director at Goldman Sachs & Co. from 1993 to 1996 where, after assignments in London and New York, he was appointed head of the firm's institutional clients business in Switzerland. Previously, he was a relationship manager for multinational corporate clients at Credit Suisse in New York and Zurich from 1988 to 1993. He holds a master's degree in business administration from the University of St. Gallen (HSG).

Dr. Eric Strutz has been a member of the board of directors of Partners Group since 2011 and is a member of the nomination and compensation committee. He was chief financial officer and a member of the board of managing directors of Commerzbank AG until March 2012. He joined Commerzbank AG as executive vice president, strategy and controlling, in 2001, before becoming chief financial officer of Commerzbank AG in 2003 and a member of the board of managing directors in 2004. Prior to joining Commerzbank AG, Dr. Eric Strutz was employed by the Boston Consulting Group from 1993, where he was vice president, director and partner as from 2000. He studied at the Universities of Erlangen-Nürnberg and St. Gallen and holds an MBA from the University of Chicago as well as a PhD in business administration from the University of St. Gallen. He is a member of the board of directors and a member of the executive committee of Mediobanca S.p.A., Milan. Neither Dr. Strutz nor any of his close family members have ever been members of the senior management of Partners Group Holding or any of its subsidiaries, nor do they have any significant business connections with either Partners Group Holding or one of its subsidiaries. Dr. Strutz does not exercise any official functions, hold a political post or have any permanent management/consultancy functions for significant domestic and foreign interest groups.

Dr. Peter Wuffli has been a member of the board of directors of Partners Group since 2009 and is the chairman of the risk and audit committee. Dr. Wuffli holds mandates in various other organizations. He chairs the philanthropic elea Foundation for Ethics in Globalization that he established together with his wife in 2006. He is also the chairman of the International Institute of Management Development IMD in Lausanne/Switzerland and vice chairman of the Zurich Opera House. Peter Wuffli studied economics at the University of St. Gallen where he gained his PhD in 1984. From 1984 to 1993 he worked for McKinsey & Company as a management consultant where he became a Partner and member of the Swiss office leadership team in 1990. In 1994 he joined the Swiss Bank Corporation (today UBS) as chief financial officer. Following the merger of the Swiss Bank Corporation and the Union Bank of Switzerland in 1998, he continued to serve as chief financial officer until 1999 when he became chairman and CEO of UBS Global Asset Management. From 2001 he was president and from 2003 onwards group CEO of UBS until his resignation in 2007. Neither Dr. Wuffli nor any of his close family members have ever been members of the senior management of Partners Group Holding or any of its subsidiaries, nor do they have any significant business connections with either Partners Group Holding or one of its subsidiaries. Dr. Wuffli does not exercise any official functions, hold a political post or have any permanent management/consultancy functions for significant domestic and foreign interest groups.

Dr. Wolfgang Zürcher, LL.M. has been a member of the board of directors of Partners Group since 2005 and is the chairman of the nomination and compensation committee and a member of the risk and audit committee. He is a partner at Wenger & Vieli, Attorneys-at-Law. He advises national and international clients with respect to mergers and acquisitions, capital markets and banking law. Before joining Wenger & Vieli in 1996, Dr. Zürcher worked as an assistant at the chair of corporate and banking law at the University of Zurich from 1991 to 1992 and with an international law firm in the United States from 1995 to 1996. Wolfgang Zürcher holds a doctorate in law from the University of Zurich as well as an LL.M. degree from the University College, London. Apart from his advisory capacity, neither Dr. Zürcher nor any of his close family members have ever been members of the senior management of Partners Group Holding or any of its subsidiaries, nor do they have any significant business connections with either Partners Group Holding or one of its subsidiaries. Dr. Zürcher does not exercise any official functions or hold a political post. Dr. Zürcher does not have any permanent management/consultancy functions for significant domestic and foreign interest groups.

Organizational changes in the board of directors and senior management
On 8 March 2013, Partners Group announced two planned additions to the board of directors of Partners Group Holding AG combined with changes in its chief executive office and executive board.

The board of directors plans to propose to the annual general meeting of shareholders on 2 May 2013 that Steffen Meister, chief executive officer of the firm since 2005, joins the board of directors of Partners Group Holding AG as a full-time executive member. In this role Steffen Meister will chair the firm's business development committee and focus on the firm's major business, corporate and organizational initiatives. He will also join the risk and audit and nomination and compensation committees as well as becoming a member of two newly formed strategy and markets committees, to be chaired by Alfred Gantner and Urs Wietlisbach, respectively. The strategy committee directs major strategic initiatives of the firm while the markets committee concentrates on strategic client-related initiatives.

To ensure a seamless transition of the firm's operational management, the board of directors announced the planned appointment of Christoph Rubeli and André Frei, both Partners of the firm who have been with the firm for more than 14 and 12 years, respectively, as co-chief executive officers as of 1 July 2013.

It is further planned that the client services business department will be led by Reto Schwager, partner, and Raphael Meier, managing director, as co-heads from 1 July 2013 and that Reto Schwager will join the executive board of Partners Group in his new role.

Andreas Knecht, general counsel and partner of the firm, is also expected to join the executive board of the firm from 1 July 2013.

In addition, the board of directors also plans to propose to the annual general meeting of shareholders on 2 May 2013 that Patrick Ward joins the board of directors of Partners Group Holding AG as non-executive member and a member of the markets committee with the title of chairman UK and Middle East, based in the firm's London office. Patrick Ward recently retired as Advisory Director and chairman of Goldman Sachs Asset Management International after serving 33 years at Goldman Sachs. He was formerly deputy chairman and co-chief executive officer of Goldman Sachs International and a member of Goldman Sachs International's management committee having previously co-headed the equities division globally.

These suggested changes remain subject to final clearance by the Swiss regulatory authorities.

Furthermore, Charles Dallara has joined the firm as a partner with the title of chairman Americas. Partners Group announced on 22 January 2013 that he will be proposed as a new member and vice chairman of the board of directors of Partners Group Holding AG at the annual general meeting of shareholders on 2 May 2013. Charles Dallara was the Managing Director of the International Institute of Finance from 1993 to 2013. Prior to assuming his role at the IIF, Charles Dallara held a number of senior positions in the Reagan and Bush 41 Administrations.

3.2 Elections and terms of office
The board of directors consists of at least three members, all of which are elected individually (staggered renewal) by the shareholders' meeting, usually for a term of three years, unless the shareholders' meeting establishes different terms of office for individual members. The year of first appointment to the board of directors and the expiry of the current term of each member are listed in the table on page 126 above. There are no limits on terms of office.

3.3 Internal organizational structure
The board of directors has adopted written internal regulations for the management of the company and of its subsidiaries pursuant to article 716b of the Swiss Code of Obligations, the rules of the SIX Swiss Exchange and the company's articles of association.

The board of directors has ultimate responsibility for the management of Partners Group Holding. While three members are non-executive, the three executive members of the board of directors also assume management responsibilities. Please see the table on page

126 above for information on the allocation of tasks within the board of directors.

Once a year, during the first board meeting following the annual general meeting of shareholders, the board of directors appoints its chairman from amongst its members, and appoints its secretary, who need not be a member of the board of directors. The board of directors meets as often as business requires, but no less than four times a year as set forth in the company's rules of the organization and of operations (the "Rules"); in 2012, five meetings were held, which each lasted between one and a half and four hours. The board of directors can deliberate if the majority of its members are present. Resolutions are adopted with the majority of the votes of the members present. In the event of a tie, the chairman casts the deciding vote. Resolutions by circular letter require the absolute majority of all members of the board of directors.

The board of directors has established three sub-committees: the risk and audit committee, the nomination and compensation committee and the business development committee. Each committee advises the board of directors on the matters specified below, often with the assistance of the executive board and others involved in the management of Partners Group Holding. The members and chairmen of these committees are determined by the board of directors. Please see the table on page 126 above for the composition of these committees.

Any of the committee members may call committee meetings. In order for resolutions to be valid, the majority of a committee's members must be present (physically or by phone/video conference) at the meeting or the resolution must be adopted by way of a circular resolution.

Risk and audit committee
The risk and audit committee is in charge of ensuring diligent performance of internal and external auditing as well as financial controlling in addition to performing other tasks related to risk management. In particular, the risk and audit committee (i) approves internal audit's organization and tasks, (ii) orders the performance of specific audits, (iii) supervises internal audit's activities, (iv) ensures the execution of the external audit, (v) monitors the financial review processes and (vi) ensures the review of the management and internal control processes. The role of the risk and audit committee is primarily supervisory and its decision making authority is limited to those areas which are ancillary to its supervisory role (see also section 3.5.1.3). As of 31 December 2012, the members of the risk and audit committee were Dr. Peter Wuffli (chair), Alfred Gantner and Dr. Wolfgang Zürcher. The risk and audit committee held four meetings in 2012, which each lasted approximately three hours. In addition, the external auditors attended two meeting of the risk and audit committee in 2012. The chief executive officer, chief financial officer, chief risk officer as well as internal audit regularly attend risk and audit committee meetings. The majority of the committee members were present at all meetings.

Nomination and compensation committee
The nomination and compensation committee advises the board of directors and the executive board regarding (i) the composition of the board of directors and (ii) the firmwide nomination and remuneration policy and strategy. As of 31 December 2012, the members of the nomination and compensation committee were Dr. Wolfgang Zürcher (chair), Alfred Gantner and Dr. Eric Strutz. The nomination and compensation committee held two meetings in 2012, which each lasted approximately two hours, to discuss the annual compensation for the board of directors and the executive board as well as to confirm the overall compensation policy.

Business development committee
The business development committee advises the board of directors on strategic matters and decides on general policy and strategies within the current set of guidelines and practices. The business development committee instructs and directs the executive board on these issues and their implementation. As of 31 December 2012, the members of the business development committee were Alfred Gantner (chair), Dr. Marcel Erni and Urs Wietlisbach. The chief executive officer, chief financial officer, chief operating officer and the co-head of the investment solutions team participate in meetings of the business development committee, although they do not have voting rights. The business development committee met bi-monthly in 2012 for approximately three hours each to discuss strategic matters of the firm. The majority of the meetings throughout the year were attended by all committee members, as well as by the non-voting advisers.

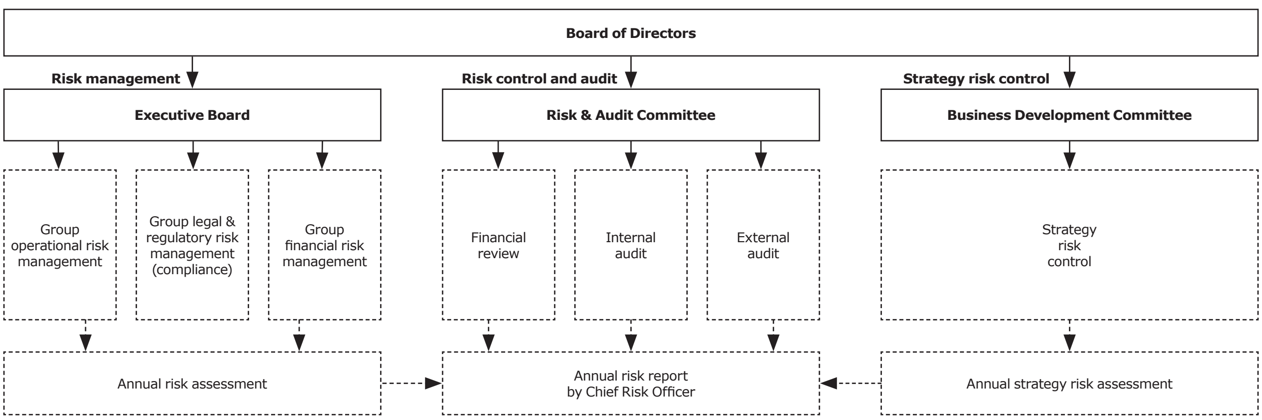
3.4 Definition of areas of responsibility
The board of directors has delegated the day-to-day management to the executive board unless provided otherwise by law, the articles of association or as described below. The board of directors has the right to issue specific rules for this purpose and to form the re-

spective committees to determine the principles of business policy, the risk policy of the various business sectors as well as the authority and responsibilities of each of the company's bodies. The positions of the chairman of the board of directors and the chief executive officer are held by two separate persons, thus ensuring a system of internal checks and balances and an independence of the board of directors from the day-to-day management of the company.

Apart from the non-transferable functions mentioned in the law and in the articles of association, the board of directors has a number of additional duties and powers, including (among other things) resolutions regarding the essential features of the group organization, all transactions in connection with real estate (outside of investment activities), establishment of employment conditions, all activities pertaining to the shareholder register, acceptance and handling of audit reports and budgets and the periodic review of the internal organization.

Responsibilities delegated to the executive board of Partners Group Holding are set forth in the company's Rules. The delegated responsibilities are the following:

1. Direct management as well as continual monitoring of business activities within the scope of and in line with the regulations, guidelines, competences, individual resolutions and restrictions imposed by the board of directors;
2. Conclusion of transactions provided these lie within the limits as determined by the Rules and particularly by the determined authorities and responsibilities set forth in the Rules or by the regulations, guidelines, competences, individual resolutions and restrictions imposed by the board of directors;
3. Establishing subsidiaries and founding new group companies (branches);
4. Developing and issuing directives, policies and job descriptions for employees to the extent that such tasks are not reserved to the board of directors;
5. Employment and termination of employees within the authorities and responsibilities set forth in the Rules;
6. Initiating legal actions and concluding settlements according to the authorities and responsibilities set forth in the Rules;
7. Organization, management and implementation of accounting, financial planning and reporting including preparation of the company's management report and annual financial statements for the attention of the board of directors;
8. Preparation of the budget for the attention of the board of directors;
9. Execution of the board of directors' resolutions;
10. Organizing, assisting and coordinating the employment benefit plans;
11. Organizing insurance management;
12. Organizing risk management as well as implementing and monitoring the internal control system and compliance;
13. Informing the senior management of relevant resolutions made by the board of directors and the executive board;
14. Proposal for all transactions that have to be submitted to the board of directors according the Rules and the authorities and responsibilities set forth in the Rules;
15. Exercising the company's shareholder's rights as a shareholder within group companies, including the entitlement to vote on the composition of the members of the management, accepting the annual financial statements and matters related to this.



3.5 Information and control instruments vis-à-vis the senior management

The board of directors is kept informed of the activities of the executive board through a number of information and control instruments. The chief executive officer, chief financial officer and chief operating officer are in a regular dialogue with the executive members of the board of directors (at least bi-monthly through the business development committee) regarding the general course of business, the financial situation of the company and any developments or events of importance to the company and its business. In the event of extraordinary incidents or developments, the executive board will notify the chairman without delay.

The executive board must submit decisions beyond the ordinary management or decisions that carry major implications to the business development committee or the board of directors, including (but not limited to) decisions specifically reserved to the business development committee or the board of directors.

The general counsel attends executive board meetings and takes an advisory role in order to ensure compliance with all legal and regulatory requirements. The general counsel is in particular responsible for the internal control of and compliance with regulatory obligations of the group entities as well as products and mandates.

3.5.1 Group risk management

Partners Group Holding is aware that the proper assessment and control of risks are critical for the continued success of the company. The board of directors holds the ultimate responsibility for the establishment of a framework relating to the group risk management, which comprises the following elements, (i) risk management, (ii) risk control and audit, and (iii) strategy risk control. The overall risk management of Partners Group Holding is illustrated below.

3.5.1.1 Risk management

The ongoing risk management is delegated to the executive board, which provides an annual risk assessment and risk management report to the board of directors. In establishing appropriate processes regarding the risk management, a distinction is made between group operational risk management, group legal and regulatory risk management and group financial risk management. In these areas, Partners Group has created internal task control systems for product obligations and procedures (POPs), regulatory obligations and procedures (ROPs), financial obligations and procedures (FOPs) and legal obligations and procedures (LOPs).

3.5.1.2 Main risk categories

The Board has identified the following main risk categories for Partners Group's business activities:

(i) Strategic and business risks: the risks that Partners Group's business profitability may be eroded by changes in the environment or by failures in its choice of strategy or execution thereof. These risks and their potential impact on earnings are modeled through specific stress tests. The outcome is reported via the firm's management information system on an ongoing basis by the chief financial officer and chief risk officer.

(ii) Operational risks: the risks that Partners Group suffers a loss directly or indirectly from inadequate or failed internal processes, people, systems or external events. Risk management and control of obligations directly related to external parties/regulators is based on the firm's POPs and ROPs task control system, consisting of an electronic task list which automatically monitors and documents adherence to all major corporate legal and contractual requirements.

(iii) Financial risks: (a) credit risk is the possibility that Partners Group may suffer a loss from the failure of counterparties and customers to meet their financial obligations, including failing to meet them in a timely manner. Credit risk arises as a result of activities that support Partners Group's business model. The credit risks are monitored and controlled by the chief risk officer and are reported on a timely basis to the executive board and the risk and audit committee. (b) liquidity risk is the risk that Partners Group does not have sufficient financial resources to meet its financial obligations when they fall due. The coordination and monitoring of the liquidity risk is the responsibility of the chief risk officer. The cash flow forecasting (including adapting the dividend policy) is discussed on a regular basis in the executive board and the risk and audit committee. (c) market risk is the possibility that Partners Group may suffer a loss resulting from the fluctuations in the values of, or income from, proprietary assets and liabilities. The market risk management process aims to ensure that all market risks undertaken by Partners Group's own account are identified, measured, monitored and controlled at all times.

This is achieved by applying suitable, comprehensively documented risk measures. The trading book is monitored on a daily basis and on a periodic basis reported to the executive board by the chief risk officer.

(iv) Reputational risk: this risk can result from events in any of the above mentioned risk categories. This risk is thus measured through the business risk framework and monitored on an ongoing basis by the executive board and the risk and audit committee.

3.5.1.3 Risk control and audit

The risk control and audit of Partners Group Holding is delegated to the risk and audit committee, which establishes appropriate processes regarding financial review, internal and external audit. The risk and audit committee regularly reports its findings to the board of directors.

Internal audit supports the board of directors, the risk and audit committee and the executive board of the company in their supervisory and risk management tasks. In doing so, internal audit provides an independent view based on objective analysis regarding material risks and quality issues at Partners Group and develops and suggests recommendations for improvement. Internal audit reports to the chairman of the board of directors and works closely with the chairman of the risk and audit committee as well as the chief executive officer, the chief financial officer, the chief operating officer and the general counsel. The scope, responsibilities, tasks and priorities of internal audit are regularly discussed with and approved by the risk and audit committee. They are reflected in the internal audit charter and the annual internal audit plan. Audits address risk areas with a potential material impact on the company and focus on adequateness of implemented internal controls. When performing its audit engagements, internal audit follows the International Standards for the Professional Practice of Internal Auditing as issued by the Institute of Internal Auditors. Audit findings are reported in a standard format together with the comments of the responsible line management. Appropriate measures for avoiding or mitigating risks are suggested to management. A systematic process tracks the timely resolution of audit findings, measures and action plans. Audit planning is aligned with the external auditors' work to avoid overlaps and audit results are discussed with them.

3.5.1.4 Strategy risk control

The business development committee has the responsibility to establish appropriate processes regarding the group strategy risk control. The business development committee regularly reports its findings in relation to strategy risk control to the board of directors.

3.5.1.5 Risk report

On an annual basis the chief risk officer provides a risk report to the board of directors based on a risk assessment of the executive board, risk and audit committee and the business development committee.

3.5.2 Management information system

Partners Group Holding has a management information system (MIS) in place to further support internal controls and information procedures as well as the financial controlling of the firm. A comprehensive report is generated out of the firm's reporting system and provided to the chief executive officer, chief financial officer and chief operating officer on a monthly basis and to the board of directors on a quarterly basis while ad hoc reports can be generated as needed.

3.5.3 Conflict resolution

Partners Group strives to avoid situations that result in conflicts of interest. However, in certain situations conflicts cannot be avoided and for such instances the conflict resolution board has been appointed by the group companies as the governing committee for handling all conflicts of interest within the group. The members of the conflict resolution board are the executive chairman (chair), the chief executive officer, the chief financial officer and the general counsel.

The table below shows the current composition of the executive board:

Name	Joined Partners Group in	Nationality	Age	Position
Steffen Meister	2000	Swiss	42	Chief Executive Officer
Pam Alsterlind[1]	2007	American	49	Co-Head Private Real Estate
Claude Angéloz[2]	2000	Swiss	45	Co-Head Private Real Estate
René Biner	1999	Swiss	42	Head Private Finance
André Frei	2000	Swiss	37	Head Client Services, Chief Risk Officer
Felix Haldner	2001	Swiss	49	Head Investment Structures
Stefan Näf	2000	Swiss	39	Head Investment Solutions
Dr. Stephan Schäli	1999	Swiss	44	Head Private Equity
Dr. Michael Studer[2]	2001	Swiss	40	Head Investment Services
Jürg Wenger	1999	Swiss	53	Chief Operating Officer
Dr. Cyrill Wipfli	2002	Swiss	39	Chief Financial Officer

[1] until 31 December 2012
[2] from 1 January 2013

4. Executive board

4.1 Members of the executive board
As mentioned in section 3.4 above, the board of directors has delegated the operational management of the company to the executive board, unless otherwise required by law, the articles of association or otherwise defined in section 3.4. The general counsel attends executive board meetings and takes an advisory role in order to ensure compliance with all legal and regulatory requirements.

Steffen Meister is a Partner, chief executive officer of Partners Group and leads the executive board. He is a non-voting member of the business development committee, as well as a member of the global portfolio investment committee. Previously, he served as deputy CEO of Partners Group and prior to that, he was head of the investment structures team, where he was responsible for developing and structuring the firm's transactions and investment products. He has been with Partners Group since 2000 and has 18 years of industry experience. Prior to joining Partners Group, he spent five years at Credit Suisse Financial Products (CSFP) in London and Zurich from 1995 to 2000, where he worked as a derivatives specialist focusing on structured solutions for corporate finance transactions. Previously, he had several assignments at Swiss Reinsurance Company and the Department of Mathematics of the Swiss Federal Institute of Technology (ETH). He holds a master's degree in mathematics from the Swiss Federal Institute of Technology, Zurich.

Pam Alsterlind is a Partner, co-head of the private real estate business department, a member of the executive board until 31 December 2012, chairwoman of the private real estate investment committee and a member of the global portfolio investment committee. She is responsible for the day-to-day operations of the private real estate investment team, and also oversees the real estate investment activities in the Asia-Pacific region. She has been with Partners Group since 2007 and has 25 years of industry experience. Prior to joining Partners Group in the San Francisco office, she was a managing director serving key clients in all aspects of real estate investing and acting as chief operating officer for real estate at Pension Consulting Alliance, a global leader in real estate asset management, from 1997 to 2007. Previously, she was a senior manager in the real estate consulting practice at Kenneth Leventhal & Company, and its successor, Ernst & Young, LLP from 1989 to 1997, as well as an investment manager for Prudential Realty Group in Boston, involved in all aspects of managing a large real estate portfolio, from 1988 to 1989. She holds an MBA in finance and marketing from the University of Michigan.

Claude Angéloz is a Partner, co-head of the private real estate business department and, as of 1 January 2013, a member of the executive board. He is a member of the private real estate investment committee and responsible for developing the firm's private real estate business strategy and coordinating real estate activities across all of the firm's business departments. He led the successful acquisition and integration of PCA Real Estate Investment Management. He has been with Partners Group since 2000 and has 21 years of industry experience. Prior to joining Partners Group, he spent eight years with Credit Suisse Financial Products/Credit Suisse in Zurich and London. He holds a master's degree in business administration from the University of St. Gallen (HSG).

René Biner is a Partner, head of the private finance business department and a member of the executive board and the global portfolio investment committee. He is chairman of the private debt investment committee and a member of the private infrastructure investment committee. He worked on private equity direct investments and transactions before taking on responsibility for partnership investments in Europe and then relocating to Partners Group's New York office as co-head of the firm's US private equity investment activities. Following his return to Partners Group's headquarter in Zug, he was assigned responsibility for the firm's private debt investment management activities. He has been with Partners Group since 1999 and has 19 years of industry experience. Prior to joining Partners Group, he spent five years at PricewaterhouseCoopers in Zurich from 1994 to 1999 with responsibility in the due diligence and audit practice and assignments to IPO projects. He holds a master's degree in economics and business administration from the University of Fribourg, and is a Swiss Certified Public Accountant.

André Frei is a Partner, the chief risk officer of Partners Group, head of the client services business department and a member of the executive board. He oversees the risk management for the firm's investment and operational activities. Previously, he was instrumental in building the firm's quantitative cash flow forecasting and commitment level steering models as well as the firm's risk and quantitative system architecture. He has been with Partners Group since 2000 and has 13 years of industry experience. He holds a master's degree in mathematics from the Swiss Federal Institute of Technology (ETH) in Zurich. He is also a CFA charterholder.

Felix Haldner is a Partner, head of the investment structures business department and a member of the executive board. He is materially involved in private markets deal structuring and execution, respectively for advice on tax, legal, regulatory and structural matters relating to investments. He has developed many major products for Partners Group's institutional and private clients in Europe and overseas. Felix Haldner is a member of the European Venture Capital Association's (EVCA) Tax, Legal and Regulatory Committee that closely co-operates with the national associations and takes a prominent role in dealing with tax, legal and regulatory matters affecting private equity in Europe. He has been with Partners Group since 2001 and has 25 years of industry experience. Prior to joining Partners Group, he was a Partner at PricewaterhouseCoopers, where he was employed from 1992 to 2001 and advised multinational insurance companies, investment management and banking clients on strategic tax planning matters and investment products. He holds a master's degree in business law from the University of St. Gallen (HSG), is admitted to the Swiss Bar and is a Certified Swiss Tax Expert.

Stefan Näf is a Partner, head of the investment solutions business department and a member of the executive board. The investment solutions team is globally responsible for investment origination, business development and client relationship management. He established and subsequently managed Partners Group's London office. Previously he worked in the firm's private equity team with a focus on European investments. He has been with Partners Group since 2000 and has 13 years of industry experience. He holds a master's degree in finance from the University of St. Gallen (HSG) and a degree in economics from the American River College.

Dr. Stephan Schäli is a Partner, head of the private equity business department and a member of the executive board. He is chairman of the global portfolio investment committee and the private equity secondaries investment committee. He played a key role in the firm's primary investment activities and was instrumental in building the firm's portfolio of secondary transactions and establishing a network of deal sources. He has been with Partners Group since 1999 and has 14 years of industry experience. Prior to joining Partners Group, he was a business and management associate with assignments in the strategic project group at UBS from 1995 to 1997. He holds an MBA degree from the University of Chicago and a PhD and master's degree in business administration from the University of St. Gallen (HSG).

Dr. Michael Studer is head of the investment services business department. He is a member of the executive board as of 1 January 2013 and a member of the global portfolio investment committee. He was previously the head of Partners Group's investment risk management team with responsibilities in investment level steering of Partners Group's private equity mandates and (semi-)permanent private equity programs. He is the co-architect of Partners Group's private markets commitment and cash flow models and has authored a number of the firm's private markets research publications. He has been with Partners Group since 2001 and has 12 years of relevant industry experience. He holds a PhD in financial and insurance mathematics from the Swiss Federal Institute of Technology (ETH), Zurich.

Jürg Wenger is a Partner, chief operating officer, a member of the executive board and a non-voting member of the business development committee and head of the resources business department. He has been instrumental in building Partners Group's investment administration, accounting and reporting systems and operations. He has been with Partners Group since 1999 and has 25 years of industry experience. Prior to joining Partners Group, he spent 11 years with UBS from 1988 to 1999, where his last assignment was head of the Central Switzerland resources division. Previously, he managed the private clients and management support unit at UBS in Zug. He holds a master's degree in business law from the University of Zurich.

Dr. Cyrill Wipfli is a Partner, chief financial officer, a member of the executive board and a non-voting member of the business development committee. Previously, he was head of the communications (investor relations and public relations) team. Prior to that, he was a member of the private equity team, concentrating on investment due diligence for venture, buyout and mezzanine investments, followed by an assignment focused on strategic development activities within the investment solutions department. He has been with Partners Group since 2002 and has 17 years of industry experience. Prior to joining Partners Group, he was a consultant at McKinsey & Co. from 2001 to 2002 and a financial analyst at Venture Capital Finance and the Swiss Federal Committee for Technology and Innovation, both from 1996 to 2000. He holds a doctorate in banking and finance from the University of St. Gallen (HSG).

Organizational changes in senior management
On 8 March 2013, Partners Group announced certain planned changes in the firm's executive office and executive board. Please refer to section 3.1 on page 128 above for the full details of these changes.

4.2 Other activities and vested interests
None of the members of the executive board is a member of governing or supervisory bodies of important Swiss or foreign organizations outside of Partners Group. None of the members of the executive board hold permanent management or consultancy functions for important Swiss or foreign interest groups, and none of the members have official functions or hold political posts. None of the members of the executive board have carried out tasks for Partners Group prior to joining the firm, except Felix Haldner, who acted for Partners Group in a consultant capacity during his employment at PricewaterhouseCoopers.

4.3 Management contracts
Partners Group Holding has not entered into any management contracts with companies or individuals not belonging to the group.

5. Compensation, shareholdings and loans

5.1 Overall compensation approach

The compensation for all employees of the firm is based on overall compensation guidelines set out by the board of directors with the support of the nomination and compensation committee, and is focused on ensuring team members retain a long-term perspective. Shares and/or options are granted to all employees of the company at the full discretion of the board of directors, though not every year, thereby placing a strong emphasis on the company's long-term success and further incentivizing all team members to participate in delivering superior performance to clients and strong results to shareholders. Partners Group further introduced a management carry program ("MCP") in 2011 whereby a portion of the potential future performance fee from investments made during a relevant investment period is allocated on a discretionary basis to certain of its senior professionals (please see 5.6 below for additional information). We believe our employees consider our reward structures transparent, fair and attractive, which is essential in ensuring Partners Group can continue to attract and retain talent.

Partners Group's compensation structure for senior management is focused on ensuring the alignment of long-term value creation interests between clients, shareholders and senior management. The bulk of the financial incentivization for the firm's senior management results from equity participation programs that can provide capital gains in the case of a long-term share price increase as a result of future investment success with clients as well as from the newly introduced MCP, which by its nature is directly linked to investment success achieved for the firm's clients. In addition, a large part of the annual total financial consideration of senior management is based on dividend payments resulting from significant existing shareholdings in the company. Within this philosophy, Partners Group pays a total compensation which includes the following individual components: (i) base salary, (ii) additional employee benefits (pension fund, expense allowance etc.) (iii) variable bonus payment, (iv) equity participation program and (v) management carry program.

In defining the total compensation awarded to any member of the board of directors or the executive board, no set formula is applied but rather the compensation is at the full discretion of the board of directors. In the interests of disclosure the firm strives to describe the compensation process in as detailed a manner as possible. A number of factors are taken into consideration which are however not mechanically weighted and also not necessarily included in compensation deliberations for each individual. These include but are not limited to (i) the development of the company's year-end EBITDA as compared to the previous years, (ii) the amount of performance generated for our clients during the financial year under review and (iii) the successful implementation of Partners Group's cost conscious operations, carefully balanced with (iv) a detailed and thorough review of the respective individual, department and company development and achievements for the year.

5.2 Decision process for defining compensation paid to the members of the board of directors and of the executive board

The compensation of the members of the board of directors and of the executive board is set by the board of directors, which is advised in these matters by the nomination and compensation committee. Please also see section 3.3 for further information regarding the nomination and compensation committee.

At its meetings, the nomination and compensation committee discusses the group's general compensation guidelines for the current year and its general salary policy for the coming year and provides a proposal to the board of directors for approval. After having set the framework for the overall compensation strategy for the current year's bonus, equity incentives, MCP participation and the coming year's fixed annual salaries, the proposed compensation for the members of the board of directors and of the executive board is reviewed individually in a second step. As well as proposing compensation changes, if any, for the members of the board of directors, the nomination and compensation committee proposes the coming year's fixed annual salary for the members of the executive board and the variable components (bonus, stock options and MCP participation) for the current year. Additionally, important decisions such as senior management promotions are proposed to the full board of directors for final consideration and decision.

5.3 Compensation for members of the board of directors

The compensation of the members of the board of directors has been set at the full discretion of the board of directors. The basic remuneration of the members of the board of directors consists of a fixed annual compensation of CHF 50'000 with no variable component, which is paid in either cash or options. Board members may receive a higher annual compensation should they be assigned additional tasks and responsibilities. Any compensation above CHF 50’000 awarded to a board member is again at the absolute discretion of the board, advised by the nomination and compensation committee.

The chairman of the risk and audit committee receives an additional fixed salary of CHF 50’000 with no variable component, with his total compensation thus amounting to CHF 100’000. This has been awarded by the board of directors to reflect the workload stemming from the additional responsibilities in this position.

The executive members of the board of directors receive an additional annual fixed compensation of CHF 220’000 with no variable component, resulting in a total overall compensation of CHF 270’000. This additional element stems from their role as executives at Partners Group and has been set on a discretionary basis. As co-founders of Partners Group, all three executive members of the board of directors hold significant shareholdings in the company. This compensation structure further underlines the commitment of the executive members of the board of directors to focus on long-term value creation for shareholders and clients. In addition, the executive members of the board participate in the MCP, thereby further linking their overall compensation to the investment success achieved for the firm’s clients.

5.4 Compensation for members of the executive board

The compensation of the members of the executive board has been set at the full discretion of the board of directors.

The annual remuneration of the members of the executive board is proposed by the nomination and compensation committee and approved by the board of directors. The compensation consists of a fixed base salary which is paid in cash on a monthly basis as well as a variable bonus and typically also includes shares and options as well as participation in the MCP. The variable portion is performance-based and approved at the board of director’s absolute discretion. The members of the executive board were granted stocks and options in the employee participation plan during the reporting year and further all received interests in the MCP, in which investments made in the financial year 2012 were included. Please see note 10 to the notes to the financial statements of Partners Group Holding AG included in the annual report 2012 for an overview of the compensation paid to the members of the executive board in 2012. The ratio of the executive board’s variable component (cash bonus, equity incentives and other compensation, excl. MCP) compared to the base compensation ranged from 168% to 334% in the reporting year (2011: 90% to 233%). The alignment of interests with clients and shareholders and the focus on long-term value creation are further ensured by members of the executive board also participating in the success of the company through their significant shareholdings in the firm.

5.5 Equity participation program

Partners Group options are awarded free of charge and out of the money (typically 20%) and both these as well as shares awarded are subject to a cliff vesting or blocking period of typically five years, followed by a two year non-compete period. The vesting parameters of equity incentives are rather stringent. Any holder of blocked shares leaving the firm has the obligation to render his or her blocked interest back to the company and any option holder leaving the firm will forfeit his or her unvested options. Granting stock option and share awards to the members of the executive board as well as other Partners Group employees is considered on an annual basis at the absolute discretion of the board of directors. Further information on duration, exercise price etc. of Partners Group’s stock option program can be found in note 25 (b) to the consolidated financial statements included in the annual report 2012.

5.6 Management carry program

In the firm’s MCP a portion of the potential future performance fee from investments made during a relevant investment period is allocated on a discretionary basis to certain senior professionals, including members of the board of directors and of the executive board. In 2012, investments made in the financial year 2012 were included in the MCP.

The total carry pool consists of the firm’s overall carried interest entitlement from investments made in a certain investment period and currently includes five specialized carry pools. These take into account investment activities in the areas (i) private equity directs, (ii) private equity secondaries, (iii) private real estate, (iv) private debt, (v) private infrastructure and further include two more general pools, (i) global private markets and (ii) global private equity.

The nomination and compensation committee and the board of directors envisage an allocation of around 30-35% of the potential total carry pool to eligible employees over the years. Personal allocation is at the full discretion of the board of directors and typically based on factors such as (i) function, level and responsibility in the firm, (ii) personal contribution to investment affairs in the respective period, and (iii) specific contribution to the investments underlying a specific carry pool. The MCP typically includes an up to five year cliff-vesting period in line with the Group's overall long-term incentive scheme.

Future performance fee cannot be predicted for investments made at this point in time because it depends on numerous variable parameters. As a consequence, costs associated with the MCP cannot be estimated so that the Group did not recognize any liabilities for the MCP allocations in its consolidated financial statements 2012, in line with the governing accrual principle. Hence, MCP allocation costs will be recognized when the respective contingent rights materialize and become payable and are thus in line with actual cash flows. Further information on the MCP can be found in the compensation report in note 10 to the notes to the financial statements of Partners Group Holding AG included in the annual report 2012.

5.7 Provisions for departure of a member of senior management

There are no special provisions such as severance payments, "golden parachutes", reduced option vesting periods etc. in place in case of departure of a member of the board of directors or of the executive board.

5.8 Compensation report

Pursuant to Art. 663b bis and 663c of the Swiss Code of Obligations (i) the total compensation paid in 2012 to the members of the board of directors and to the executive board, (ii) the shares and the options held or vested by the members of the board of directors and the executive board and (iii) the loans, if any, granted to the members of the board of directors and to the executive board, need to be disclosed in the notes to the financial statements. Partners Group goes beyond these requirements and discloses the compensation paid to each individual member of the board of directors and the executive board. In this regard, please see notes 10 and 11 to the notes to the financial statements of Partners Group Holding AG included in the annual report 2012.

6. Shareholders' participation

6.1 Voting rights & representation measures

Each share entitles one vote. Entitled to attend shareholders' meetings and to exercise voting rights are shareholders recorded with voting rights in the shareholder register as of a qualifying date prior to the shareholders' meeting set by the board of directors.

Registration in the shareholder register with the attached voting rights is restricted by the limits on transferability and nominee registration as set forth in section 2.6 above. All registered shareholders are invited to attend shareholders' meetings. If they do not wish to attend, any shareholder may be represented at the shareholders' meeting by (i) a legal representative who needs not be a shareholder, (ii) a representative of the company, (iii) an independent proxy or (iv) their bank. The board of directors will decide as to whether the authority/proxy is recognized.

6.2 Statutory quorums

The articles of association for Partners Group Holding provide that, unless provided otherwise by mandatory provisions of law, the following resolutions of the shareholders' meeting require at least two-thirds of the represented votes and the absolute majority of the represented nominal value of shares:

- the cases provided for by law in Art. 704 para. 1 of the Swiss Code of Obligations;
- reversal or amendment of the transfer limitation as set forth in section 2.6 above.

Votes and elections in the shareholders' meeting are open unless provided otherwise by the chairman or decided otherwise by the shareholders' meeting.

6.3 Convocation of shareholders' meetings

The annual general meeting of shareholders (AGM) takes place within six months after the close of the financial year. All registered shareholders receive a written invitation to the AGM including detailed descriptions of the items to be discussed and the motions of the board of directors no later than 20 days before the date of the AGM. In 2013, the AGM is scheduled for 2 May.

Shareholders representing at least one-tenth of the share capital may at any time request that a shareholders' meeting be called. The request for calling a meeting must be submitted in writing at least 45 days ahead of the meeting by stating the items on the agenda and the motions to be introduced by the shareholders.

6.4 Placing of items on the agenda

Shareholders representing at least one-tenth of the share capital may submit proposals to be placed on the agenda at a shareholders' meeting, provided these items are received by the board of directors no later than 45 days prior to the meeting by stating the items on the agenda and the motions to be introduced by the shareholders.

6.5 Inscriptions into share register

The general rules for registration as a shareholder apply as described above in sections 2.4 and 2.6. The qualifying date for the registration of shares is defined by the board of directors for every shareholder meeting.

7. Changes of control and defense measures

7.1 Opting-out

Partners Group Holding has elected to opt out of the rule that an investor acquiring 33 1/3% of all voting rights has to submit a public offer for all outstanding shares.

7.2 Clauses on change of control

The employment contracts with the members of the board of directors, the executive board as well as other members of management do not contain any clauses activated by a change in control. Partners Group Holding also has no provisions for "golden parachutes" in place.

8. Auditors

8.1 Duration of mandate and term of office
The consolidated financial statements and the statutory accounts of Partners Group Holding are audited by KPMG AG. The statutory and group auditors are elected for one year periods at the annual general meeting of shareholders. KPMG AG was first elected statutory and group auditor on 21 November 2001. The lead auditor, Christoph Gröbli, has been in charge of the mandate since 27 August 2010 and is subject to a seven-year rotation interval.

8.2 Auditing fees
In the financial year 2012, KPMG AG and other KPMG companies received a total of CHF 0.5 million for audit services.

8.3 Additional fees
In addition, KPMG AG and other KPMG companies received CHF 0.1 million in fees for consulting services (tax, regulatory and IFRS) rendered to Partners Group Holding and its subsidiaries in the financial year 2012.

8.4 Supervision and control vis-à-vis the external auditors
The board of directors is responsible for the acceptance and processing of the reports from the statutory and group auditors. In this, the board of directors is supported by the risk and audit committee, which periodically monitors the qualification, independence and performance of the external auditors.

The risk and audit committee primarily bases its evaluation on a presentation of all audit findings by KPMG AG, which is presented on an annual basis. The assessment further includes documents such as the management letter as well as oral and written statements made by KPMG AG concerning individual aspects or factual issues in connection with the accounting and the audit. During the financial year 2012, the external auditors participated in two meetings of the risk and audit committee in order to discuss audit processes as well as FINMA guidelines and monitoring. Among others, evaluated issues include risk factors and processes.

Key factors in assigning the external audit mandate to KPMG AG were:

- detailed audit budget proposal containing expected hours and the relevant hourly rate
- comprehensive debriefing after completion of audit, during which improvement suggestions on both sides are discussed
- quality of service provided
- international expertise in regard to audit and accounting
- independence and reputation of the audit firm
- industry knowledge and qualifications
- competitive fees

The risk and audit committee reviews and assesses the auditor's performance on an annual basis. In this context and in the spirit of upholding good corporate governance, Partners Group Holding periodically conducts appraisals of the audit mandate, in which in particular budget issues are reviewed in order to ensure audit fees are kept at a competitive level in the best interests of shareholders.

Please also refer to the sections concerning the risk and audit committee (3.3) as well as internal audit (3.5.1.3) above.

9. Information policy

As a company listed on the SIX Swiss Exchange, Partners Group Holding is committed to pursuing an open, transparent and consistent communication strategy vis-à-vis its shareholders as well as the financial community.

Key dates for 2013 are as follows:

Event	Date
Annual general meeting of shareholders	2 May 2013
Ex-dividend date	6 May 2013
Dividend record date	8 May 2013
Dividend payment date	10 May 2013
Pre-close announcement AuM as of 30 June 2013	11 July 2013
Publication semi-annual report	10 September 2013

Partners Group Holding's semi-annual and annual reports are available for download on the website at http://www.partnersgroup.com/financialreports

Partners Group Holding also distributes all current news via regular press releases. All published press releases are available on the website at http://www.partnersgroup.com/pressreleases

To receive all information automatically upon publication via email, shareholders and other interested parties may subscribe to press releases at http://www.partnersgroup.com/subscriptionform

For all investor enquiries Philip Sauer can be reached as follows:

Partners Group
Philip Sauer
Zugerstrasse 57
6341 Baar-Zug
Switzerland
Phone +41 41 784 66 60
Fax +41 41 784 60 01
philip.sauer@partnersgroup.com

ASSESSING A CLIENT'S GLOBAL PORTFOLIO STRATEGY

Stephan Schäli Head Private Equity, **Marlis Morin** Head Internal Audit, **Andreas Baumann** Head Singapore and **Erik Kaas** Investment Solutions Europe

CONTACTS

Investor relations
Philip Sauer
Phone: +41 41 784 66 60
Email: philip.sauer@partnersgroup.com

Media relations
Dr. Anna Hollmann
Phone: +41 41 784 63 72
Email: anna.hollmann@partnersgroup.com

www.partnersgroup.com
partnersgroup@partnersgroup.com

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Zug:
Zugerstrasse 57
6341 Baar-Zug
Switzerland
Phone: +41 41 784 60 00
Fax: +41 41 784 60 01

San Francisco:
150 Spear Street
18th Floor
San Francisco, CA 94105
USA
Phone: +1 415 537 8585
Fax: +1 415 537 8558

New York:
The Grace Building
1114 Avenue of the Americas
37th Floor
New York, NY 10036
USA
Phone: +1 212 908 2600
Fax: +1 212 908 2601

São Paulo:
Rua Joaquim Floriano
1052 Conj. 142
CEP 04534-014
São Paulo
Brazil
Phone: +55 11 3074 0346
Fax: +55 11 3074 0349

London:
Heron Tower
14th floor
110 Bishopsgate
London EC2N 4AY
United Kingdom
Phone: +44 20 7575 2500
Fax: +44 20 7575 2501

Guernsey:
Tudor House
2nd Floor
Le Bordage
St Peter Port GY1 1BT
Guernsey
Phone: +44 1481 711 690
Fax: +44 1481 730 947

Paris:
10 rue Labie
75017 Paris
France
Phone: +33 1 45 03 60 84
Fax: +33 1 45 74 86 99

Luxembourg:
55, avenue de la gare
1611 Luxembourg
Phone: +352 27 48 28 1
Fax: +352 27 48 28 28

Munich:
Skygarden im Arnulfpark
Erika-Mann-Str. 7
80636 Munich
Germany
Phone: +49 89 38 38 92 0
Fax: +49 89 38 38 92 99

Dubai:
Dubai International Financial Center
Level 3, Gate Village 10
P.O. Box 125115
Dubai UAE
Phone: +971 4 401 9143
Fax: +971 4 401 9142

Singapore:
71 Robinson Road
Level 13
Singapore 068895
Phone: +65 6671 3500
Fax: +65 6671 3501

Beijing:
Excel Center
#1105, No 6 Wudinghou Street
Xicheng District
Beijing 100033
China
Phone: +86 10 8356 1600
Fax: +86 10 8356 1601

Seoul:
#3026 Floor ASEM Tower
159-1, Samsung-dong, Gangnamgu
Seoul 135-798
South Korea
Phone: +82 2 6001 3183
Fax: +82 2 6001 3186

Tokyo:
Daido Seimei Kasumigaseki
Building 5F
1-4-2 Kasumigaseki, Chiyoda-ku
Tokyo 100-0013
Japan
Phone: +81 3 5532 2030
Fax: +81 3 5532 2040

Sydney:
Aurora Place
Level 33, 88 Philip Street
Sydney, NSW 2000
Australia
Phone: +61 2 8216 1900
Fax: +61 2 8216 1901

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