



Annual report 2015

Twenty years of business excellence and  
ten years on the Swiss stock exchange



**Partners Group**

REALIZING POTENTIAL IN PRIVATE MARKETS

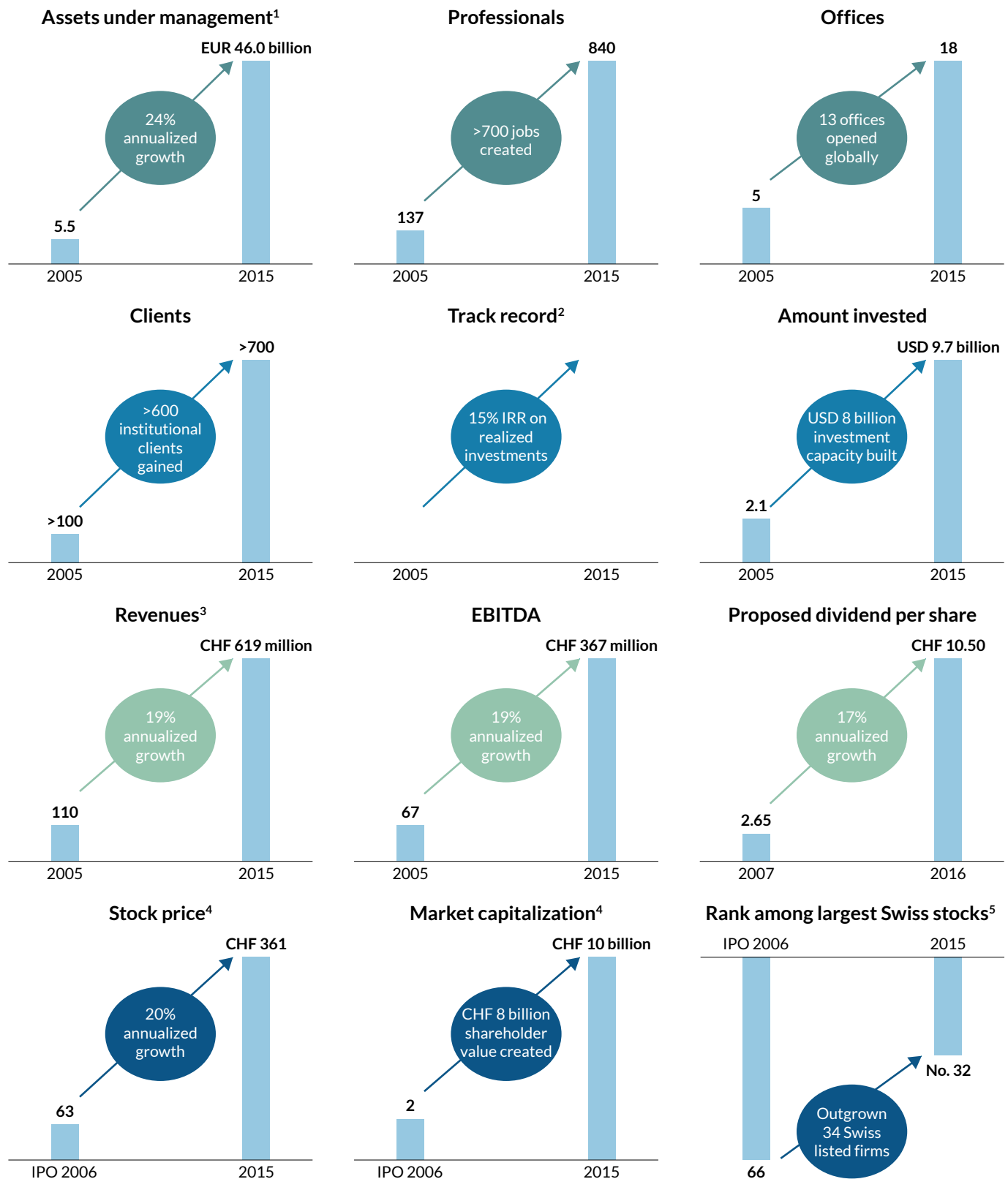
# Contents

<b>Ten years on the SIX Swiss Exchange</b>	<b>4</b>
<b>Key figures</b>	<b>6</b>
<b>Message from the Chairman and Co-CEOs</b>	<b>8</b>
<b>2015 at a glance – Partners Group's business model and review of financial performance</b>	
Investments	10
Clients	13
Financials	16
Outlook	20
<b>Market commentary</b>	<b>22</b>
<b>Responsible investment report</b>	<b>29</b>
<b>Consolidated financial statements</b>	<b>45</b>
<b>Financial statements of Partners Group Holding AG</b>	<b>121</b>
<b>Compensation report</b>	<b>137</b>
<b>Corporate governance report</b>	<b>161</b>
<b>Contacts</b>	<b>186</b>

In 2015, Partners Group celebrated its 20th anniversary and its 10th year as a public company listed on the SIX Swiss Exchange. On this occasion we looked back on past achievements, but more importantly renewed our commitment to realizing the potential of private markets for our clients, shareholders and employees.

During the year, Partners Group further strengthened its position as one of the world's leading private markets investment managers. The firm built out its investment capacity, created significant value and received record commitments to its private markets investment platform from its global clientele.

# Ten years on the SIX Swiss Exchange



<sup>1</sup> Assets under management exclude discontinued public alternative investment activities and divested affiliated companies. <sup>2</sup> Includes all realized Partners Group direct private markets investments between Q1 2006 and Q4 2015 (unaudited). Figures are net of underlying fund fees, but gross of fees to Partners Group and are based on cash flows converted to USD. <sup>3</sup> Revenues include revenues from management services, net, other operating income and share of results of associates. <sup>4</sup> 2015 figures as of 31 December 2015. <sup>5</sup> According to the SIX Swiss Exchange, the ranking is based on the free float market capitalization and turnover as a percentage of free float capitalization.



**Joel Schwartz** Head Private Equity Americas | **Roberto Cagnati** Head Portfolio & Mandate Solutions

Partners Group enables institutional and private investors worldwide to access a global private markets opportunity set, generating outperformance across economic cycles. The firm's strong performance has benefitted its clients, shareholders and other stakeholders.



# Key figures



professionals



offices around  
the world



assets under  
management



revenue margin



revenues



EBITDA

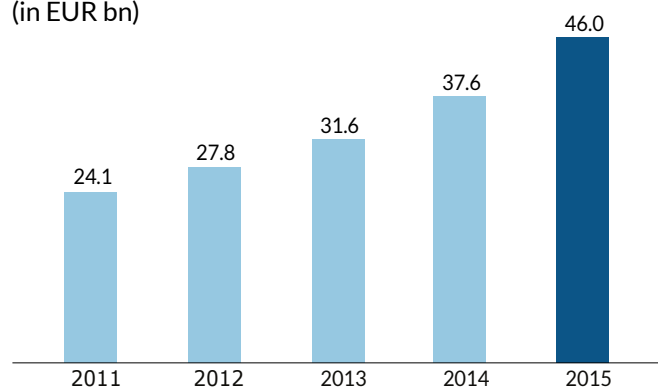


adjusted net profit

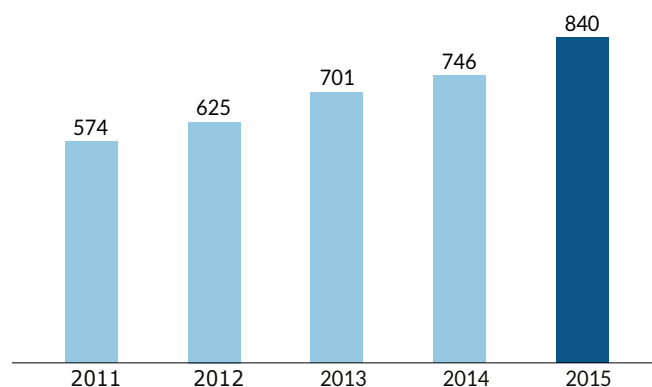


proposed dividend

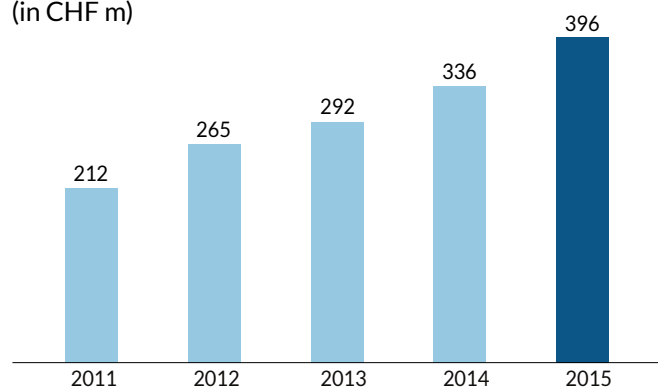
**Total assets under management<sup>1</sup>**  
(in EUR bn)



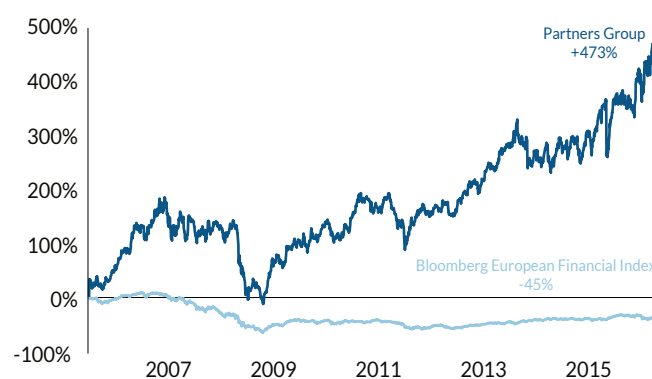
**Number of professionals**



**Adjusted net profit<sup>2</sup>**  
(in CHF m)



**Share price development since IPO**



<sup>1</sup> Assets under management exclude discontinued public alternative investment activities and divested affiliated companies. <sup>2</sup> Partners Group has adjusted its net profit for specific non-cash items related to the capital-protected product Pearl Holding Limited; the successful conversion of Pearl in September 2014 has consequently made Partners Group's adjusted net profit equal to its IFRS net profit from 2015 onwards.

# Key figures

	2014	2015
Assets under management (in EUR bn)	37.6	46.0
Average assets under management (in EUR bn, daily)	34.0	41.9
Revenue margin <sup>1,2</sup>	1.39%	1.38%
Revenues (in CHF m) <sup>2</sup>	574	619
EBITDA margin	60%	59%
EBITDA (in CHF m)	347	367
Financial result (in CHF m)	37	81
IFRS net profit (in CHF m)	375	396
Adjusted net profit (in CHF m) <sup>3</sup>	336	396
Net liquidity position at end of year (in CHF m) <sup>4</sup>	621	650
Shareholders' equity (in CHF m)	1'103	1'224
Return on shareholders' equity (ROE) <sup>5</sup>	37%	35%
Equity ratio	88%	82%

**1** Based on average assets under management calculated on a daily basis. **2** Revenues from management services, net, including other operating income and share of results of associates. **3** Partners Group has adjusted its net profit for specific non-cash items related to the capital-protected product Pearl Holding Limited; the successful conversion of Pearl in September 2014 has consequently made Partners Group's adjusted net profit equal to its IFRS net profit from 2015 onwards. **4** Including loans to products and borrowings. **5** Based on adjusted net profit.

## Share information as of 31 December 2015

Share price (in CHF)	361.25
Total shares	26'700'000
Market capitalization (in CHF bn)	9.6
Free float <sup>1</sup>	64.69%
Diluted shares (weighted average)	26'737'203
Diluted earnings per share (in CHF)	14.81
Dividend per share <sup>2</sup> (in CHF)	10.50
Dividend yield per share <sup>2</sup>	2.9%
Bloomberg ticker symbol	PGHN SW
Reuters ticker symbol	PGHN.S

**1** According to SIX Swiss Exchange definition. **2** As per proposal to be submitted to the 2016 Annual General Meeting of shareholders; yield as of 31 December 2015.

## Corporate calendar

11 May 2016	Annual General Meeting of shareholders
14 July 2016	Assets under management announcement as of 30 June 2016
13 September 2016	Publication of semi-annual report as of 30 June 2016

# Message from the Chairman and Co-CEOs

Dear clients, business partners  
and fellow shareholders,

**For twenty years, we have been realizing potential in private markets. We have done this by creating value in our investments through active and long-term responsible ownership. Since our Initial Public Offering (IPO) in March 2006, external shareholders have been invited to participate in the firm's development into one of the world's leading private markets investment managers.**

We are pleased to report further growth of the firm with regards to both its business and financial results. Based on the firm's solid achievements in 2015, Partners Group's Board of Directors will propose an increased dividend of CHF 10.50 per share (2015: CHF 8.50) to the firm's shareholders at the 2016 Annual General Meeting (AGM). Our positioning has been further strengthened by the excellent investment performance we have provided to our clients over the last two decades. This has been at the root of our successful development and has built the basis for strong shareholder returns. Partners Group's shares have been one of the best performing financial stocks worldwide since our IPO at CHF 63 per share in 2006, reflecting our development into one of the leading private markets investment managers globally. We are convinced that our purpose and values provided an important foundation for our success over the last twenty years and will further drive the build-out of our business activities. We will continue to identify opportunities, launch initiatives and overcome challenges to create a lasting positive impact in our investments for our clients and their beneficiaries. Today, we are proudly looking back on what we have achieved and would like to thank our clients and shareholders for their trust in our firm.

## **Building out investment capacity to drive value creation**

We have dedicated substantial resources to further growing our investment capacity, enabling the firm to benefit from a larger and steadily increasing opportunity set. We are confident that the further build-out of our investment platform will contribute tremendously to our capability to create value and will consolidate our position among the clear global leaders in the private markets industry.

As a lead investor in a significant number of transactions, we increased our investment activities across the entire private markets spectrum and remained geographically diversified in 2015. With a focus on corporate, real estate and infrastructure

assets with high development potential, we invested a total of USD 9.7 billion on behalf of our clients and ensured that only those investments with the most attractive risk/return profiles on a global basis were selected. Next to prudently investing in 2015, we have also taken advantage of the favorable exit environment and generated USD 7.6 billion in underlying portfolio distributions.

## **Recognizing private markets leadership**

Our investment capabilities and unique positioning as a global integrated private markets manager have received recognition from clients and the broader private markets industry. In 2015, we were awarded the title of "Mid-market firm of the year in North America" by Private Equity International (PEI). Our investment and exit activities in the US middle market built the basis for this award. We acquired KinderCare Education, for example, the largest for-profit provider of early-childhood education in the US, and Pacific Bells and World Wide Wings, leading franchisees of the Taco Bell and Buffalo Wild Wings brands operating 139 restaurants across five US states. We successfully exited Universal Services of America, the fourth largest security services company in the US, and Nobel Learning, a US operator of preschool through grade 12 private schools. We also received Private Equity Real Estate's (PERE) awards for "Multi-manager of the year" in North America, Europe and Asia, demonstrating the truly global nature of the firm's real estate activities.

## **Intensifying client activities around the globe**

Based on our long-term investment track record, distinctive servicing capabilities and our commitment to continue to invest in the build-out of our investment platform, clients entrusted us with a record amount of EUR 8.4 billion of new commitments in 2015, resulting in total assets under management of EUR 46 billion, an increase of 22% year on year. Client demand was strong across all asset classes and continued to be highly diversified across regions, size and types of clients. The ability to offer all-encompassing and customized services, as well as global private markets investment expertise, remain crucial factors for the continued success of any global private markets investment manager. In 2015, we continued to be an innovative thought leader in our industry as evidenced by the fact that we were the first investment manager to develop portable private markets investment solutions for the defined contribution markets in the US, Australia and the UK.

## **Solid financials against a strengthened Swiss franc**

Successful investment activities and record client demand in 2015 enabled the firm to generate solid financial results across the board, which were tempered by the strengthening of the Swiss franc against other currencies during the reporting



# Message from the Chairman and Co-CEOs (continued)

period. Despite the foreign exchange headwinds in 2015, the firm's revenues and EBITDA increased by 8% and 6% year on year to CHF 619 million and CHF 367 million, respectively. The IFRS net profit increased by 6% to CHF 396 million and marked a new record, also supported by the strong NAV development of the firm's stakes in its investment programs alongside clients. The sustained positive business development across all asset classes and regions, as well as the solid operating result, healthy balance sheet and confidence in the sustainability in the firm's growth, has resulted in the dividend proposal by the Board of Directors of CHF 10.50 per share to the firm's shareholders at the AGM on 11 May 2016, an increase of 24%.

## Strengthening investment governance

In November 2015, the Board of Directors announced that it will propose the nomination of Michelle Felman as a new independent Board member at the AGM and as Chair of the newly formed Investment Oversight Committee. In this Committee, Ms. Felman will lead board-level initiatives focused on strengthening Partners Group's investment management capabilities. Ms. Felman, an American national, is based in New York and has almost three decades of experience in the real estate investment industry. She previously served as an Executive Vice President at Vornado Realty Trust, steering its growth from an initial market capitalization of USD 6 billion in 1997 to USD 28 billion in 2010. Her previous roles include six years as Managing Director, Global Business Development, at GE Capital.

On behalf of the whole firm, we are pleased to present you with a comprehensive overview of our business activities in 2015, as well as our outlook for the years to come. We thank you for your continued trust in Partners Group.



**Dr. Peter Wuffli**

Chairman of the Board of Directors



**André Frei**

Co-Chief Executive Officer



**Christoph Rubeli**

Co-Chief Executive Officer

# 2015 at a glance – Partners Group's business model and review of financial performance

## Investments

In 2015, Partners Group expanded to 840 employees (2014: 746) across 18 offices worldwide with the target of being able to screen and ultimately invest in an even larger opportunity set, while also remaining disciplined in a market environment characterized by elevated valuations. This continued ramp-up of the firm's global investment platform and the high level of selectivity applied enabled Partners Group to further enlarge its investment activities, resulting in an invested amount of USD 9.7 billion across all private markets asset classes in 2015 on behalf of its clients.

### Search for transformative trends in a low growth environment

In a market environment characterized by elevated valuations and an absence of meaningful structural growth in the advanced world, Partners Group focused its investment activities on transformative market trends. We avoided competing in the large-cap or core segments of private markets at elevated prices that can only be justified by factoring in a substantial pick-up in growth. Instead, we identified assets that are best positioned to benefit from sectoral and transformative growth trends across the various regions. This increases value creation potential by allowing us to develop the asset bottom up, beyond its existing set-up and reach.

Examples include the high demand for both renewable and conventional energy infrastructure in the US, the need for mixed-use residential and retail real estate assets in European urban centers, and the rise of consumption-led sectors in private equity in Asia and South America. Partners Group aims to invest in quality assets that are set to benefit from such trends and is actively involved with its investments to support their development.

### Selectivity remains key in times of elevated valuations

Through the firm's extensive industry network and proactive sourcing efforts, Partners Group was able to continue its selective investment process and screened 3'851 direct transactions across private markets asset classes in 2015. Of these, the firm invested in only the most attractive 2% of total deal flow, resulting in 74 transactions and a decline rate of 98%. Partners Group's secondary investment specialists screened USD 125 billion in private markets assets and invested in less than 2% of these. To complement its direct and secondary investments, the firm committed USD 1.9 billion to 47 funds managed by other private markets managers.

## Deal flow 2015

	Directs (#)	Secondaries	Primaries (#)
Private equity	1'018	USD 91 billion	372
Private debt	599	n/a	15
Private real estate	1'652	USD 24 billion	250
Private infrastructure	582	USD 10 billion	96
Total screened	3'851	USD 125 billion	733
Executed	USD 5.6 billion 74 transactions*	USD 2.2 billion 29 transactions	USD 1.9 billion 47 commitments

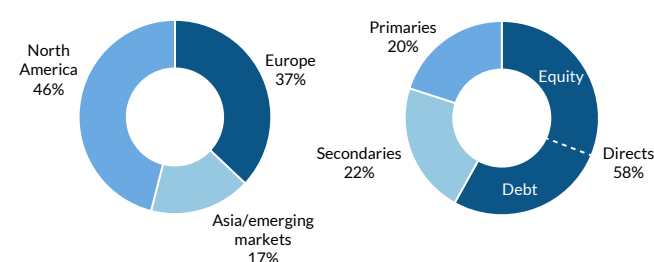
\*Including 48 credits amounting to USD 2.6 billion.

Note: investment figures exclude investments for cash management and syndication purposes, as well as short-term loans.

## Global investment activities remained diversified across regions and types of investments

Investment activities remained geographically diversified in 2015, with 37% of capital invested in Europe, 46% in North America and 17% in Asia-Pacific and emerging markets, reflecting Partners Group's global reach and scope. In 2015, 58% of Partners Group's investments were direct and 22% were secondaries, highlighting the firm's ability to pursue ample opportunities. Its relative value investment approach endeavors to ensure that only the most attractive assets on a global basis are selected. This is a clear differentiator compared to firms with a regional or sector focus, adding the necessary diversification to client portfolios and stability to the organization.

## Private markets investments during 2015 (based on volumes)



Note: investment figures exclude investments for cash management and syndication purposes, as well as short-term loans.

The firm's own global Industry Value Creation (IVC) team provides in-depth insight into different sectors across private markets and creates value at the individual asset level. It operates across eight verticals: consumer, financials, healthcare, industrials, media & telecom, information technology, real estate and infrastructure. The firm targeted attractive corporate, real estate and infrastructure assets with high development potential and invested a total of USD 5.6 billion (58% of total investment volume) in direct transactions, of which USD 3.0 billion was invested in 26 individual assets across private equity,

# 2015 at a glance – Partners Group's business model and review of financial performance (continued)

private real estate and private infrastructure and USD 2.6 billion was invested in 48 credits.

## Private markets investment strategy and examples

In private equity, we continue to see the best opportunities mainly in the global middle market and focus on investing in leading companies with the ability to outgrow their competition within their industry or sector. Active value creation remains the key value driver. In private real estate, we continue our asset management-driven value creation approach outside the crowded core space and provide liquidity solutions for select real estate portfolios on the secondary market. In private debt, we see value in the senior and structured second lien loan market and are capturing a larger market share by benefitting from the restricted lending activities of banks. In private infrastructure, we continue to build out the team as clients further ramp up exposure to this more defensive asset class. Partners Group focuses on development projects and platform transactions that provide a superior risk/return profile.

Some examples of the firm's private markets investments on behalf of its clients in 2015 are given below.

### • Private equity

We acquired a majority stake in restaurant businesses Pacific Bells and World Wide Wings. Both are leading franchisees of the Taco Bell and Buffalo Wild Wings brands and operate 139 restaurants across five US states. We will carry out an ambitious growth plan encompassing further store openings within existing markets, additional franchise acquisitions, and facility improvements at existing outlets. We furthermore acquired KinderCare Education, the largest for profit provider of early-childhood education in the US. With around 1'400 centers in 38 US states, KinderCare is an example of a platform company, where we support growth through an active M&A strategy. Based on our US mid-cap investment achievements, we were named "Mid-Market Firm of the Year in North America" by Private Equity International (PEI) magazine. We also invested into leading companies in Europe and Asia in 2015, for example Vermaat Groep B.V., the Dutch market leader in high-end catering and hospitality services. Vermaat operates a total of 231 premium food and beverage outlets across the Netherlands, including cafés, bistros, restaurants and canteens, each tailored to the individual requirements of the client.

### • Private real estate

We completed the secondary purchase of a USD 163 million US retail property portfolio. Significant assets include two hotels, one in New York and the other in Tennessee, and two developable land parcels in California. We acquired a 32-hectare industrial site in Yennora, in Western Sydney, Australia. The site is ideally located for industrial use given its proximity to a major intermodal container terminal and a residential train station and offers multiple value creation opportunities. We also embarked on a 41-story development at 200 North Michigan Avenue in Chicago. Once fully completed, the development will feature over 400 luxury residences, as well as 22'000 sqft of prime retail space. In 2015, Partners Group won three prestigious Private Equity Real Estate (PERE) awards and was named "Multi-Manager of the Year" for the regions North America, Europe and Asia.

### • Private debt

We invested over USD 200 million to support the acquisition of US dental services provider Affordable Care, Inc., headquartered in Raleigh, North Carolina. The company is the largest denture- and implant-services provider in the US, supporting a network of more than 200 affiliated practices in 39 states. Its unique, highly-focused business model enables dentists to provide high-quality, low-price dental prostheses and same-day service to over 400'000 patients annually. We also provided EUR 74 million in unitranche financing to aluminum tube manufacturer Alltub. The investment supported a broader refinancing of the company's capital structure and provided acquisition financing to support its expansion plans. Alltub is the global leader in the production of collapsible aluminum tubes and has around 1'200 employees and four manufacturing plants in Europe and Latin America.

### • Private infrastructure

We acquired a 25% stake in Sentinel Energy Center, an 800MW natural gas-fired power generation facility. Sentinel is a simple-cycle, natural gas-fired, contracted power generation facility located in the Los Angeles Basin area of California. It supports California's increasing emphasis on renewable energy by providing flexible capacity that can start and stop on demand in response to fluctuations in supply from intermittent renewable electricity sources such as wind and solar. We raised more than USD 500 million in additional equity to support the continued platform expansion of our portfolio company Fermaca, a leading midstream operator of gas infrastructure in Mexico. We furthermore completed the acquisition of the passenger terminal at Billy Bishop Toronto City Airport (BBTCA) together with our partners in the Nieuport Aviation consortium.

# 2015 at a glance – Partners Group's business model and review of financial performance (continued)

BBTCA is the ninth busiest airport in Canada, serving 2.4 million passengers in 2014. With a number of value-enhancing initiatives already underway at the time of acquisition, Partners Group is working with its consortium partners and local stakeholders to manage the terminal efficiently and safely, while at the same time enhancing the passenger experience.

## Industry collaboration drives value creation

Partners Group has a broad network of investment partners and maintains a comprehensive set of industry relationships, whether the role is as a primary capital provider, senior or mezzanine debt provider, provider of secondary solutions, or fully-fledged value-add partner for a direct investment in a portfolio company. This investment approach has significantly strengthened the firm's industry network and positioned it as a true global partner to top-performing private markets investment houses, providing significant value-add possibilities which support investment partners in their ability to transact on assets. With over 730 private markets investment partners and more than 300 advisory board seats, Partners Group's business model is uniquely differentiated and hard to replicate.

## Taking advantage of the attractive exit environment

During 2015, the firm was also able to realize a significant number of private markets assets on behalf of its clients, leading to a total of USD 7.6 billion in underlying portfolio distributions. As many client portfolios are still in value creation phase, the majority of these underlying portfolio distributions have not yet generated meaningful performance fees but have advanced the maturity profile of those portfolios and increased visibility on performance fees in the years to come. The examples of the firm's private markets exit activities below show how Partners Group made active use of a market environment characterized by elevated valuations.

### • Private equity

Partners Group announced the sale of its controlling interest in US security services provider Universal Services of America. During the holding period, the number of Universal employees increased to over 44'000 from over 27'000, while revenues climbed by more than 80%. Today, Universal is the fourth largest security services company in the US. The exit generated a 3.0x money multiple to our clients.

### • Private real estate

Partners Group sold its investment in a 13-story building in Kowloon East, Hong Kong, generating a gross IRR of 45% for its clients. Originally a warehouse, we launched the conversion of the industrial building into high-specification office space with a gross floor area of 206'255 sqft and a modern and sustainable design with a BEAM Plus rating, a green building label recognized by the Hong Kong Green Building Council.

### • Private debt

Partners Group successfully exited its 2011 mezzanine investment in Swedish headquartered alarm provider Securitas Direct Verisure Group. The company has shown strong year-on-year growth over the historical period, including through the recession, and has a leading market share in its key home markets. The exit provided a money multiple of around 1.5x to our clients.

### • Private infrastructure

Partners Group announced the refinancing of its 2011 mezzanine investment in Wind Energy Holding (WEH) in Thailand. WEH is a leading renewable energy company specialized in wind farms and has generated a 1.9x money multiple for our clients.

# 2015 at a glance – Partners Group's business model and review of financial performance (continued)

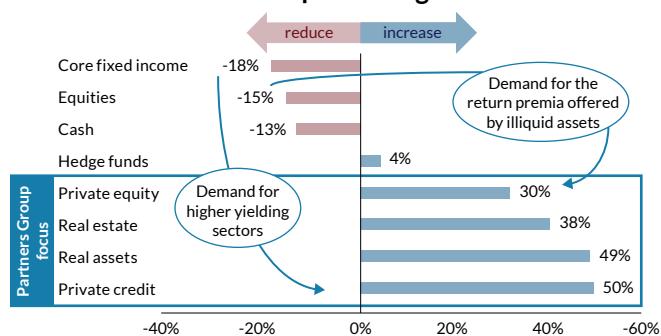
## Clients

### Growing demand for private markets globally

The firm's growth is driven by four long-term trends: global institutional assets under management are growing, allocations to private markets in institutional portfolios are rising, the private markets industry is consolidating further and private markets are performing strongly. Partners Group expects global demand for private markets investments from institutional investors to increase further as they are important to enhance the risk/return profile of their overall portfolios.

The challenging and more volatile market environment is causing institutional investors to actively manage their asset allocation and seek alternative sources of returns. This was made evident in the recently conducted survey of over 170 of the largest institutional clients of BlackRock, representing USD 6.6 trillion in assets under management (AuM), about potential changes to their asset allocations in 2016. The findings indicate that investors are increasingly embracing illiquid investment strategies, including private credit and real assets, as a way to meet their long-dated liabilities.

### Anticipated changes to 2016 asset allocations of institutional investors representing USD 6.6 tn in AuM



Source: BlackRock client survey of 174 of their largest institutional clients, December 2015.

To implement these asset allocation considerations into higher yielding sectors and more illiquid asset classes, institutional investors seek private markets managers with the ability to evaluate various private markets asset classes and investment opportunities on a global scale and select those assets that offer the best relative value. At the same time, these investment managers should offer all-encompassing and customized services that cope with the complex requirements of an increasingly sophisticated global client base.

Today, Partners Group has positioned itself as one of the few leading global private markets investment managers that meet these more complex client needs. The firm's leading position and business model has been recognized by the public market, which valued Partners Group at almost USD 10 billion in market capitalization at the end of 2015, making it the third most valuable listed private markets investment manager globally.

### Largest listed private markets investment managers

Rank	Firm	Market Cap (in USD bn)
1	Blackstone	34
2	KKR	13
3	Partners Group	10
4	Oaktree Capital	7
5	Apollo	6
6	Carlyle Group	5
7	Ares	3
8	Fortress	2

Source: Bloomberg, 31 December 2015.

### Increasing client preference for comprehensive solutions

In 2015, the firm continued to offer a comprehensive set of single or multi-asset class investment programs and saw substantial demand from institutional investors around the globe. Sophisticated private markets investors prefer investment managers with the ability to invest across the entire capital structure, creating tailored risk/return profiles in their private markets exposure. They also seek portfolio services which can reduce their administrative burden and help manage regulatory complexity, bringing their private markets portfolios closer to their public markets investments with regards to transparency, accessibility, performance measurement and administration. Because of this, there is a growing preference from investors globally to invest with those select few market leaders who have an institutionalized operational set-up and the ability to provide global solutions across private markets asset classes. To-date, more than 40% of Partners Group's clients have seen the advantages of a one-stop solution for private markets, investing and committing to more than one asset class with the firm. Partners Group expects this trend to continue with the growth of the platform.

Partners Group remained an innovative thought leader in the industry in 2015, as evidenced by the fact that the firm was the first asset manager to offer private markets investment solutions for the portable defined contribution (DC) pension market, a market which had not yet been able to include more

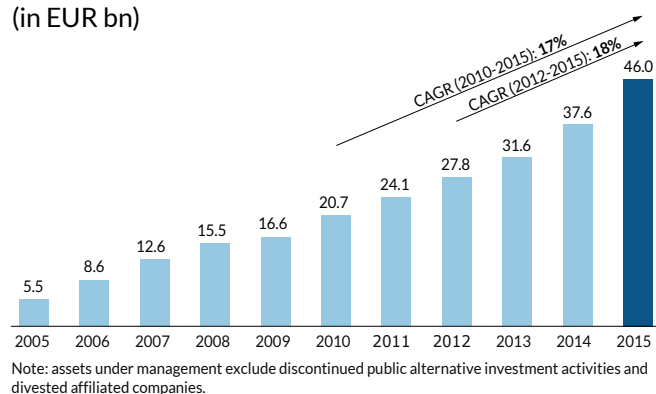
# 2015 at a glance – Partners Group's business model and review of financial performance (continued)

illiquid and long-term investments. Partners Group announced the development of products for the three largest DC markets, the US, UK and Australia, in December 2015. The US and Australian investment programs already commenced investing in 2015; the UK offering is expected to launch in the first half of 2016. While the DC market is a sizeable market and is expected to outgrow the defined benefit market by 2020, Partners Group expects the impact on overall AuM to be limited in the first few years but believes that the full potential will unfold over a longer time horizon.

## AuM grew to EUR 46 billion; up 22% year on year

The combination of existing and new client relationships resulted in total client demand of EUR 8.4 billion in new commitments from the firm's global client base across all private markets asset classes in 2015, modestly exceeding the anticipated bandwidth of EUR 6-8 billion for the full year. This record amount was based on demand for both programs and mandates and a solid pipeline of investment opportunities. Total AuM stood at EUR 46.0 billion as of 31 December 2015 (2014: EUR 37.6 billion), an increase of 22% year on year.

## Total assets under management (in EUR bn)

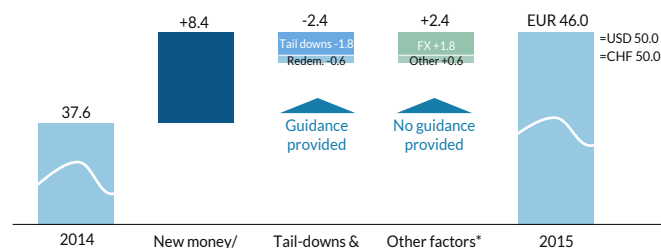


The breakdown of total AuM as of 31 December 2015 is as follows: EUR 27 billion private equity, EUR 8 billion private real estate, EUR 6 billion private debt and EUR 5 billion private infrastructure. Appetite for customized mandate offerings continues to account for a significant proportion of client demand, confirming the preference for non-standard solutions from larger institutional investors.

Next to gross client demand of EUR 8.4 billion, another factor supporting the firm's AuM development in 2015 was the strengthening of the US Dollar against the Euro. As 36% of Partners Group's AuM is USD-denominated, the 11% appreciation of the US Dollar during the year supported the firm's EUR-denominated AuM. Overall, foreign exchange effects amounted to EUR +1.8 billion in 2015. A further

positive contribution of EUR +0.6 billion stemmed mainly from performance-related effects from a select number of open-ended and semi-liquid investment vehicles that directly link their asset base to the development of the net asset value of the underlying portfolio. However, there were also EUR -1.8 billion (2014: EUR -1.5 billion) in tail-down effects from mature private markets investment programs and EUR -0.6 billion (2014: EUR -0.6 billion) in redemptions from liquid and semi-liquid vehicles. This amounted to a total of EUR -2.4 billion in negative effects for the full year, in line with our expectations of EUR -2 to -3 billion. As a result, the positive effects of EUR +2.4 billion neutralized the negative effects of EUR -2.4 billion

## Total assets under management (in EUR bn)



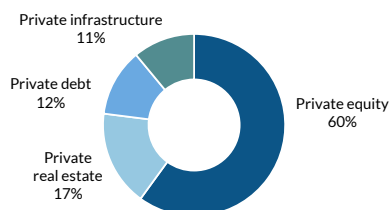
## Client demand across all asset classes

**Private equity** was the largest contributor to assets raised in 2015, representing 54% of all new commitments. The demand was split across a wide range of products and mandates with the private equity secondary and the private equity direct programs being the main contributors. The year on year growth rate of private equity AuM amounted to 21%. **Private real estate** demand represented 9% of all new commitments and was largely driven by the global integrated and global direct program. The year on year growth of private real estate AuM amounted to 14%. **Private debt** has seen a strong increase in demand, representing 20% of total new commitments. The demand was spread over several different programs and mandates, focusing on senior debt, a multi-asset class offering and the firm's second CLO. The year on year growth of private debt AuM amounted to 35%. **Private infrastructure** represented 18% of overall client demand. Demand was spread over a number of different investment programs, with the largest contributors being the global direct flagship and global integrated investment programs. In 2015, private infrastructure AuM grew by 30%. The chart below shows the firm's total AuM by asset class as of 31 December 2015.



# 2015 at a glance – Partners Group's business model and review of financial performance (continued)

## AuM by asset class

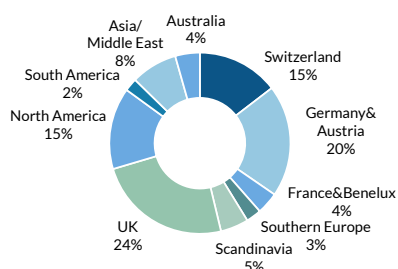


Note: as of 31 December 2015.

## Client demand spread across Europe, North America, Asia-Pacific and emerging markets

We have an international client base of over 700 institutional investors around the world. In 2015, client demand was again well-diversified globally and almost equally split between new and existing institutional investors. Notably strong countries in **continental Europe** were Germany and Switzerland, contributing about a third of the inflows in 2015. Another third of the AuM growth came from **the UK and US**. The final third was contributed by the remaining regions across the globe, with **Asia and South America** standing out. The chart below shows the firm's total AuM by region as of 31 December 2015.

## AuM by region



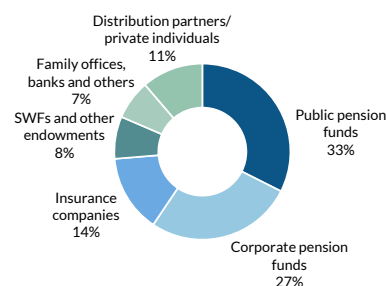
Note: as of 31 December 2015.

## Client demand from insurance companies on the rise; pension funds still the major contributor

We continued to grow all of our core private markets businesses with different types of investors and entered into new collaborations with some of the largest and most sophisticated institutional investors globally. In 2015, **corporate and public pension funds** continued to be the key contributors to AuM growth, representing almost half of the total client demand during 2015. These investors typically want to further enhance the risk/return profile of their portfolios by reducing bond exposure. **Insurance companies** accounted for around 20% of overall assets raised in 2015 and became increasingly active in private markets investments, showing particular demand for our yield-generating private debt offerings. **Sovereign wealth funds and endowments** accounted for approximately 10% of total assets raised in 2015 and generally engage with us seeking

highly tailored private markets solutions to complement their existing portfolios. With regards to **distribution partners/private individuals**, we again saw increasing demand from this segment as investors recognize the benefits of private markets and aim to mirror the allocations of institutional investors in their private portfolios. We offer several suitable investment programs for private investors and actively engage with select intermediaries. Some 10% of total client demand in 2015 was represented by this type of investor. The remaining 10% were split amongst family offices, banks and other investors. The chart below shows the firm's total AuM by investor type as of 31 December 2015.

## AuM by type



Note: as of 31 December 2015.

# 2015 at a glance – Partners Group's business model and review of financial performance (continued)

## Financials

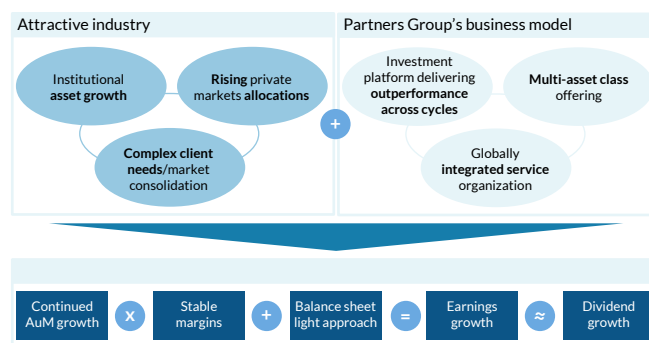
### Solid financials against a strengthened Swiss franc

Successful investment activities (USD 9.7 billion invested) and record client demand (EUR 8.4 billion raised) in 2015 enabled the firm to generate solid financial results across the board, though these were tempered by the strengthening of the Swiss franc against other currencies during the reporting period. Despite the foreign exchange headwinds in 2015, the firm's revenues and EBITDA increased by 8% and 6% year on year to CHF 619 million and CHF 367 million, respectively. The IFRS net profit increased by 6% to CHF 396 million and marked a new record, also supported by the strong NAV development of the firm's stakes in its investment programs alongside clients, and in particular, the upside performance deriving from the firm's stake in the investment program Pearl.

### A strong underlying business: the Partners Group formula

The favorable, long-term underlying client trends highlighted previously in this report and the outperformance of private markets against public markets represent industry dynamics which should further drive demand for Partners Group's comprehensive private markets offerings. These dynamics, combined with stable margins and a balance sheet-light business approach, translate into attractive financial returns for shareholders.

### The Partners Group formula



### Business build-out beats foreign exchange headwinds; revenues increased

The total average AuM of EUR 41.9 billion in 2015 increased by 23% compared to the previous year (2014: EUR 34 billion). In Swiss francs, this growth was reduced by 15% because of the foreign exchange rate developments between the Euro, US dollar and Swiss franc during the reporting period and resulted in 8% growth of average AuM in Swiss francs. Revenues increased by 8% in 2015 to CHF 619 million (2014: CHF 574 million).

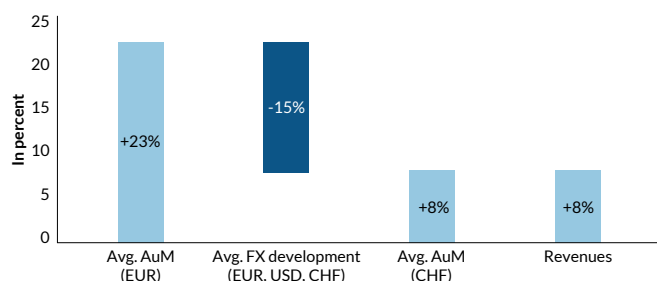
## Key financials

	2014	2015
AuM as of the end of the year (in EUR bn)	37.6	46.0
Average AuM (in EUR bn, daily)	34.0	41.9
Revenue margin <sup>1,2</sup>	1.39%	1.38%
Recurring revenue margin <sup>1,2,3</sup>	1.14%	1.12%
Revenues (in CHF m) <sup>2</sup>	574	619
Recurring revenues (in CHF m) <sup>2,3</sup>	472	503
EBITDA margin	60%	59%
EBITDA (in CHF m)	347	367
IFRS net profit (in CHF m)	375	396
Adjusted net profit (in CHF m) <sup>4</sup>	336	396

<sup>1</sup> Based on average AuM calculated on a daily basis. <sup>2</sup> Revenues from management services, net, including other operating income and share of results of associates. <sup>3</sup> Recurring revenues are based on stable, long-term management fees and recur every year. <sup>4</sup> Partners Group has adjusted its net profit for specific non-cash items related to the capital-protected product Pearl Holding Limited; the successful conversion of Pearl in September 2014 has consequently made Partners Group's adjusted net profit equal to its IFRS net profit from 2015 onwards.

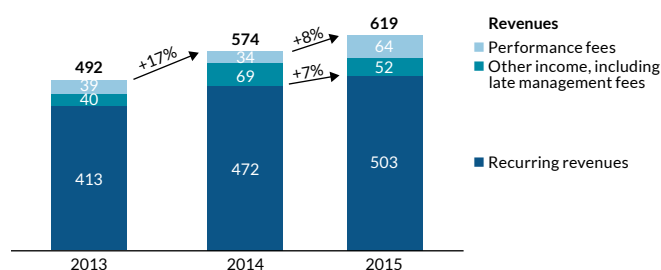
# 2015 at a glance – Partners Group's business model and review of financial performance (continued)

## Foreign exchange rate adjusted revenue growth in line with average AuM growth in 2015



Recurring revenues stemming from management fees developed alongside average AuM in CHF and increased by 8%, amounting to CHF 503 million (2014: CHF 472 million). Performance fees almost doubled and amounted to CHF 64 million (2014: CHF 34 million).

## Revenues (in CHF m)

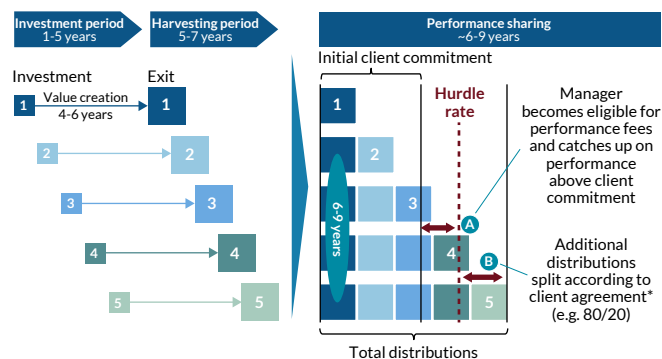


Note: revenues include revenues from management and advisory services, net, other operating income and share of results of associates.

## Solid performance fees in 2015; increased maturity profile of a number of investment programs

Private markets investment programs typically start to pay performance fees several years after inception, subsequent to clients receiving distributions equivalent to their initial commitment and returns generated on the invested capital over time. Depending on the investment pace, value creation and harvesting of an investment program, cumulated distributions typically approach the pre-agreed return hurdle about six to nine years after the investment program commences its investment activities. As illustrated in the graph below, exit activities in private markets portfolios advance the maturity profile of an investment program and increase the visibility of performance fees as the likelihood increases that the required return hurdle is reached. Once the hurdle rate is reached, the investment manager is entitled to performance fees generated in previous periods ("catch-up" period) and will share future distributions according to a pre-defined performance sharing mechanism with clients.

## Performance fee sharing mechanism



\*Performance fees of performance fee generating investment programs and mandates typically range between 10-20% over a hurdle of 6-8% IRR on invested capital, depending on program and instruments.  
Note: for illustrative purposes only.

Based on the strong underlying performance of Partners Group's private markets portfolios, performance fees in 2015 increased considerably year on year and amounted to CHF 64 million (2014: CHF 34 million), representing 10% of total revenues (2014: 6%). However, many client portfolios are still in their value creation phase and aggregated underlying portfolio distributions during the reporting period have not yet translated into significant performance fee payments. With our clients being the principal beneficiaries of the returns generated, we expect performance fees as a proportion of total revenues to ramp up up to 20% over the years to come.

## Fewer late management fees

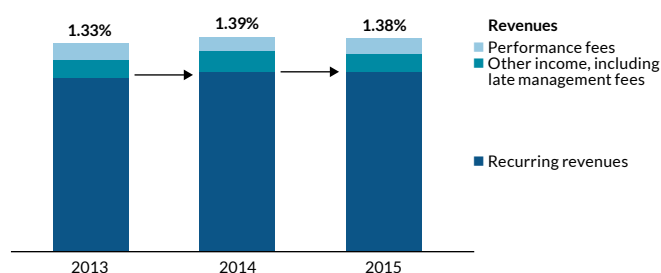
Other income amounted to CHF 52 million (2014: CHF 69 million) in 2015. This income is generated in conjunction with investment and fundraising activities in any given year and includes late management fees. In 2015, late management fees were significantly lower compared to the previous year as two large programs completed their fundraising in 2014 and supported such fee payments in 2014. Late management fees typically occur in closed-ended structures, in particular limited partnerships. These structures go through a fundraising period of 12-18 months. All clients who commit to such investment programs during this period owe management fees for the entire lifetime of the fund, irrespective of when the commitment was made or whether investment activities in the fund have already started. A period in which several programs complete fundraising is more likely to lead to higher late management fees relative to times with fewer programs completing fundraising.

# 2015 at a glance – Partners Group's business model and review of financial performance (continued)

## Stable revenue margins with upside potential

The revenue margin continued its stable development and amounted to 1.38% (2014: 1.39%) for 2015. The vast majority of the firm's revenue base is recurring and based on long-term contracts with its clients, providing highly visible cash flows. In the case higher performance fees materialize in the years to come, additional upside to the current revenue margin is likely.

### Revenue margin (calculated as revenues divided by average daily AuM)

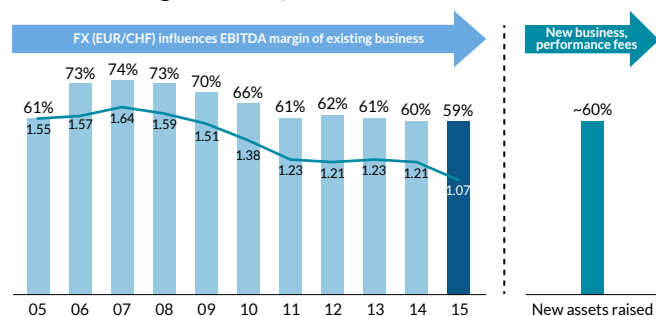


Note: revenues include revenues from management services, net, other operating income and share of results of associates.

## EBITDA margin slightly decreased due to strengthened Swiss franc

Partners Group manages its costs in a disciplined manner. Nevertheless, the strengthening of the Swiss franc against other currencies in early January 2015 impacted the EBITDA margin, bringing it to 59% in 2015 (2014: 60%). The firm's EBITDA amounted to CHF 367 million (2014: CHF 347 million) and increased by 6% during the period. Going forward, and under the assumption of stable foreign exchange rates, the firm continues to target an EBITDA margin of ~60% for newly generated management fees, as well as for performance fees on existing and new AuM.

### EBITDA margin development



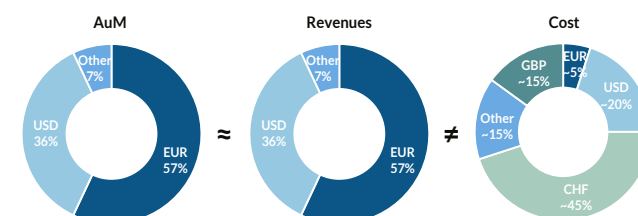
Note: EUR/CHF foreign exchange rates in daily averages in respective years.

## Diversification of AuM, revenues and cost base

We have consistently executed on our business strategy to further grow the business internationally and thus diversify our sources of income. As a result of these efforts, the firm's exposure to EUR-denominated AuM has significantly decreased: in 2010, 76% of our AuM were EUR-denominated, which compares to only 57% in 2015. Nonetheless, the firm's revenues, in line with AuM, still primarily derive from EUR- and USD-denominated investment programs. While foreign exchange fluctuations have no impact on the revenue margin, they do impact the absolute amount of revenues generated.

Over the past five years, Partners Group's team has grown at a higher rate outside Switzerland, in line with the increased set of investment opportunities around the world. This has diversified the firm's cost base: in 2015, less than half of the firm's cost base was CHF-denominated (2010: two-thirds). As the company continues to expand globally, this CHF-denominated cost base will further diversify and reduce exposure to the Swiss franc, therefore reducing the foreign exchange impact on the EBITDA margin.

### Currency exposure in 2015



Note: all figures are based on estimates and currency denomination of underlying programs; revenues include revenues from management services, net, other operating income and share of results of associates.

## Financial result driven by strong value creation in clients' portfolios and investment program Pearl

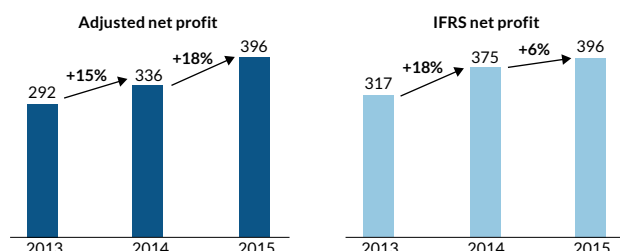
Partners Group typically invests alongside its clients in its investment programs (usually 1% of client commitments). In 2015, strong value creation and performance generation in these investment programs were the largest contributors to the financial result, which amounted to CHF 81 million (2014: CHF 37 million), of which CHF 52 million stemmed from the performance of Pearl. Partners Group's investment in Pearl generated this additional performance upside in the context of Pearl's conversion into a closed-ended structure, as requested by the program's investors. However, Pearl is expected to have limited contribution potential in the future, as proceeds from exits of the underlying portfolio will be converted into cash through income statement-neutral distributions.

# 2015 at a glance – Partners Group's business model and review of financial performance (continued)

## Bottom line continues to follow top line

In summary, the firm's IFRS net profit increased by 6% in 2015, standing at CHF 396 million (2014: CHF 375 million). During the same time period, the adjusted net profit increased by 18% (2014: CHF 336 million). Since its IPO in 2006, Partners Group has adjusted its net profit for specific non-cash items related to the capital-protected product Pearl Holding Limited; the successful conversion of Pearl in September 2014 will consequently make Partners Group's adjusted net profit equal to its IFRS net profit from 2015 onwards.

## Adjusted net profit = IFRS net profit from 2015 onwards (in CHF m)



## Net liquidity of CHF 650 million

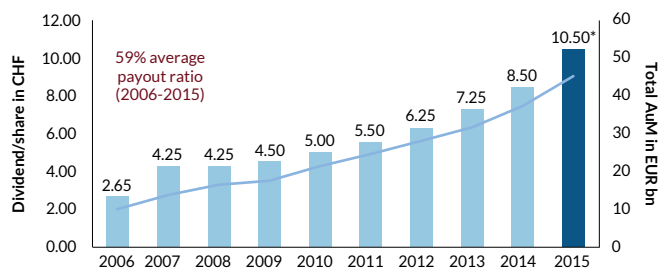
The company's balance sheet continues to be strong. After a dividend payment of CHF 225 million in 2015, the company holds a current net liquidity position of CHF 650 million. This is comprised of cash and cash equivalents, including short-term loans for investment programs provided by the group and borrowings.

## Proposed dividend increase to CHF 10.50 per share

Based on the solid development of the business in all asset classes and regions, the operating result and confidence in the sustainability of the firm's growth, Partners Group's Board of Directors proposes a dividend of CHF 10.50 per share (2015: CHF 8.50 per share) to its shareholders at the Annual General Meeting on 11 May 2016. This represents a dividend increase of 24%.

Partners Group is committed to maintaining its dividend policy of distributing at least 50% of (adjusted) net profit. The total proposed dividend distribution of CHF 280 million corresponds to a 71% payout ratio of the IFRS net profit and represents a dividend yield of 2.9% of the share price of CHF 361.25 as of 31 December 2015.

## Dividend payments since IPO



\*Proposal by the Board of Directors to the AGM on 11 May 2016.

Note: assets under management exclude discontinued public alternative investment activities and divested affiliated companies.

# 2015 at a glance – Partners Group's business model and review of financial performance (continued)

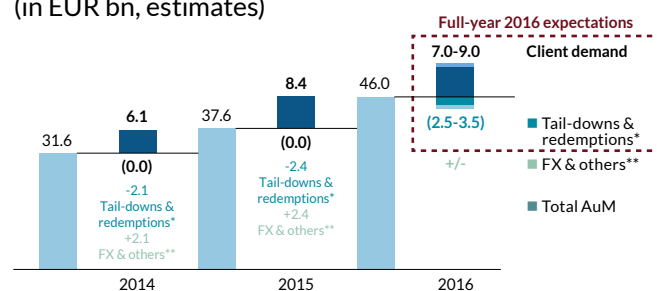
## Outlook

As the general pace of economic growth remains low on aggregate and markets have become increasingly volatile, we believe that the search for investment opportunities with value creation potential must go beyond sectors or regions. We look for specific trends that are transforming our industries and consumer habits. Few private markets players have the global set-up to find and act on these themes on a global basis. We therefore expect the consolidation trend in our industry to continue as markets continue their bumpy ride.

Global institutional investors have seen the benefit of building private markets portfolios which suit their specific risk/return requirements and have implemented their investment strategy through global and flexible investment programs or customized mandate solutions across private equity and private debt, as well as real assets such as infrastructure and real estate. Partners Group expects client demand for such solutions to be spread across all asset classes, regions and types of investor. For the full year 2016, the firm projects gross client demand of EUR 7-9 billion (2015 guidance: EUR 6-8 billion), together with EUR -2.5 to -3.5 billion (2015 guidance: EUR -2 to -3 billion) in tail-down effects from the more mature Partners Group programs and potential redemptions from liquid and semi-liquid programs.

Building on the success of its first 20 years in business, Partners Group will continue to dedicate substantial resources to further growing its investment capacity, enabling the firm to benefit from a larger and steadily increasing opportunity set, with a particular focus on the extended middle market. The firm is confident that the ongoing build-out of its investment platform will contribute to its ability to create value and to its position among the clear global leaders in private markets. At the same time, the firm will continue to provide clients with high-quality, global private markets portfolios and best-in-class client servicing.

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



\*Tail-downs consist of maturing investment programs; redemptions stem from liquid and semi-liquid programs (~10% of AuM).

\*\*Others consist of performance from select programs and other effects.

Note: negative effects in 2014/2015 consist of both tail-downs & redemptions as well as FX & others.





**Christoph Rubeli** Co-CEO | **David Layton** Co-Head Private Equity

The general pace of economic growth remains low on aggregate and markets have become increasingly volatile. In this environment, we believe that the search for growth-focused investment opportunities must go beyond sectors or regions and into the specific trends that are transforming our industries and consumer habits.

# Market commentary

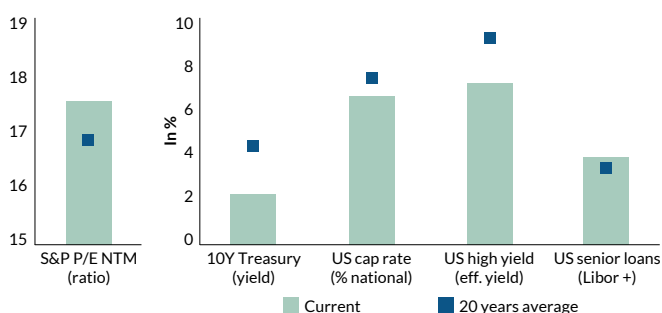
## In search of transformative growth

The general pace of global economic growth has not changed dramatically since our last relative value assessment. The US still appears relatively solid, while conditions in Europe are gradually improving. We believe that concerns about declining emerging markets growth are overdone, particularly in the case of China. However, we stick to our long-held outlook of low levels of aggregate economic activity, which is why we focus on searching for transformative growth.

### Modest macroeconomic prospects and high valuations challenge investors

Against a relatively unspectacular macroeconomic backdrop, capital markets have become increasingly volatile. For the past twelve months, we have been projecting that assetflation, triggered by vast amounts of central bank-induced liquidity, would lose steam. Volatile price fluctuations have characterized the first few weeks of the year: stretched valuations in many market segments are a skewed reflection of fundamentals, making asset prices vulnerable to bouts of risk aversion such as that witnessed during the 5-20% correction in global equity markets over the course of recent quarters.

### High asset prices in a historical context

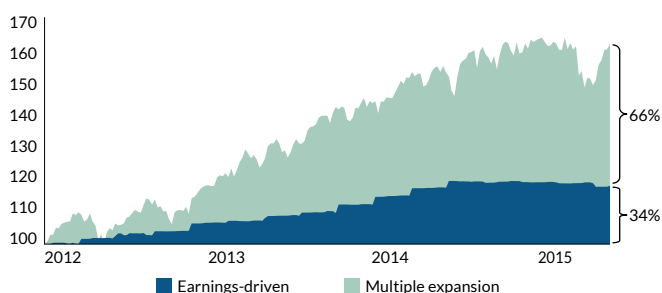


Note: US high yield and senior loan spread data from 1997 onwards; US cap rate data from 2001 onwards.  
Source: Partners Group; Bloomberg, November 2015; S&P Global Leveraged Lending Review, Q3 2015.

Nonetheless, we have good reason to assume that markets will not see sustained valuation shocks unless these are caused by exogenous factors. The low growth, low inflation environment with continued monetary policy support on an almost global scale has provided a scenario that for many market participants validates and justifies high valuations. Even as the Fed raises the central bank target, rates should remain low in absolute terms. Yet, with many assets priced above their 20-year average valuations, we are cognizant of the fact that there is likely to be more downside than upside to capital market developments. As we have highlighted many times in the past, assetflation has

largely been a result of multiple expansion rather than improving fundamentals, as the chart below illustrates (earnings have even retreated over the last year). In addition, past experience suggests that multiples tend to come down once the US starts raising rates.

### Capital markets rally is multiple-driven



Note: data based on S&P 500 Index.  
Source: Partners Group; Bloomberg, November 2015.

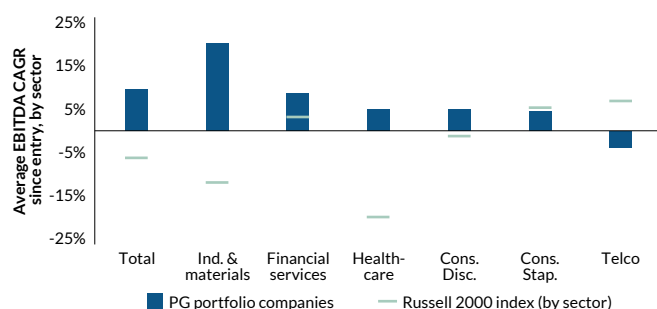
In this environment, top-down, structural drivers like demographics and wealth accumulation are not always sufficient as a basis for investment opportunities. In the advanced world in particular, our relative value investment approach looks beyond structural growth drivers to find the specific trends that are transforming our industries and consumer habits and that will enable us to capture and create value in our investments. In emerging markets, classical, structural growth drivers still provide significant tailwinds to investment theses, although developments at the sector level are also increasing in importance. Our emerging markets relative value investment approach is more granular than our approach in the advanced world, taking country-specific macroeconomic, political and sectoral trends into account.

# Market commentary

## Creating value in an era of low structural growth

In summary, the current market environment is characterized by elevated valuations and an absence of meaningful structural growth in the advanced world. Against this backdrop, transformative growth becomes the main focus. We avoid competing in the large-cap or core segments of private markets at elevated prices that can only be justified by factoring in a substantial pick-up in growth. Instead, we continue to identify companies and assets that are best positioned to benefit from sectoral and transformative growth trends across the various regions, as outlined above. This increases value creation potential by allowing us to develop the asset bottom up, beyond its existing set-up and reach. By way of example, the chart below illustrates the earnings development by industry sector of the portfolio companies within the Partners Group Direct Investments 2012 (EUR) LP Inc. compared to the EBITDA growth of public companies operating within the same sector in the Russell 2000 Index.

## Value-add initiatives result in superior earnings growth



Note: average EBITDA CAGR by sector since entry for portfolio companies in the Partners Group Direct Investments 2012 (EUR) LP Inc., a directs only buyout investment program, compared to the EBITDA growth over the same time period for the Russell 2000 Index. Source: Partners Group; Bloomberg, November 2015.

## Our relative value approach

In simple terms, our relative value outlook for a certain asset class and investment type is derived from three parameters, which are analyzed individually, often on a regional level, and also in relation to each another:

- Growth
- Opportunity set
- Valuations relative to risk

The first parameter, growth, is broken down into structural and non-structural drivers. Structural drivers are defined as classical growth drivers, meaning demographics and wealth evolution, as well as government policy and regulation. This type of growth occurs at the national or regional level and directly drives the overall performance of certain sectors of the economy. Non-structural growth is generated through sectoral rotation and transformative change, such as customer preferences and trends, as well as value creation at the asset level. The latter type of growth often incorporates a “rotational” growth component, whereby certain sectors will benefit over-proportionally at the cost of others while the net effect on overall growth can be offsetting.

The second parameter, opportunity set, consists of the investment opportunities sourced within our deal flow and other external factors, such as the availability of financing and competition.

The third parameter, valuations, represents asset pricing in the context of top-down and bottom-up growth potential, value creation opportunity and broader market developments, such as entry multiple evolution, always relative to downside risk.

# Market commentary

## Private equity – on the lookout for transformative trends

Although valuations remain at peak levels, sustained by both the high volume of capital available for investment and the mixed economic outlook, we do not believe a distress cycle is imminent. In this environment, success is achieved by deep industry insight into transformative trends.

### Market overview

LBO valuations remained at very high levels at the end of 2015, close to or at industry record prices for large- and mega-cap transactions as well as mainstream mid-cap transactions. This was down to the abundance of investable capital and the continued availability of debt financing. Notwithstanding these valuations and the challenging economic outlook, there is limited evidence of a trigger event for a potential distress cycle in the coming quarters, as credit fundamentals have remained strong and equity contributions have increased in recent LBOs. The record amount of covenant-lite structures used in recent transactions provides a further cushion for equity holders.

However, debt providers are now applying different regional and business model judgments. While quality assets still manage to raise very high levels of debt (close to or above 5x), terms for some equity investors have begun to tighten slightly due to the increased selectivity of debt providers.

In Europe, private equity investments are being challenged by the competition coming not only from regional public markets, but also increasingly from US and Asian corporates keen to develop their international presence. These strategic players can offer the European companies they acquire an enlarged distribution reach in significant or high growth markets. To successfully compete against these potential buyers, private equity firms must be able to offer similar benefits to their target companies. Given the current macro-economic situation in Europe, this intercontinental and cross-border trend will be a key theme in local private equity in the next few years.

In Asia, we notice that the nature of private equity investments is being influenced by current macro trends in the two leading economies. China's private equity and M&A activity is being impacted by the structural shift in the country's economy towards lower economic growth and increased emphasis on domestic consumption. In India, the private equity market is being impacted by the high growth outlook (the highest of any G-20 country), which is driving up valuations. This should lead investors to factor in EBITDA multiple compressions for mid-term exits. On the other side of the globe, the pace of investments in Latin America is on the rise thanks mainly to

Brazil and Mexico. In these two markets, there is potential for consolidation in the mid-market space and for an increase in the role of the export sector in the quarters to come.

### Our key investment strategies

#### Build out platform companies

We avoid high acquisition multiples by acquiring a platform company with a strong management team and infrastructure, and then purchasing add-on companies to further grow the platform. This typically allows us to bring small or lower mid-market businesses into the platform and benefit from the lower acquisition multiples of these segments compared with upper mid-market and large-cap companies.

#### Capture category winners

We actively screen sub-segments of specific industries benefitting from trend-based tailwinds and focus on finding the "category winners" that dominate the sub-segment in terms of market share. Our Industry Value Creation team then works with the companies' management teams to optimize further growth and increase profitability via effective value chain improvements.

#### Seek out defensive leaders

Our investment strategy includes the search for niche leaders not only with growth potential but also with strong defensive capabilities, high cash flow generation and the ability to quickly de-leverage in an uncertain and volatile economic context.

# Market commentary

## Private real estate – seeing change as an opportunity

Prices remain peaky and demand for real estate continues to climb, pushing investors further up the risk spectrum. We see the greatest investment opportunity in markets where the demand for real estate has shifted to accommodate new patterns in residential, retail or industrial growth.

### Market overview

The quantity of private equity capital focused on real estate investment has reached levels not seen since peaks registered in 2007 and 2008. This has driven investment volumes in key tier 1 cities such as New York and London to their highest levels since 2006, compressing yields in these markets at the strongest pace in five years. The quantity of global capital pursuing real estate investment is projected to continue to fuel all-time pricing highs in gateway cities throughout 2016. Many major metros are now considered to be “priced to perfection” and steady demand for real estate has stimulated a spill-over effect into secondary markets. Despite this, in 2015, the balance between leasing activity and underlying economic fundamentals moved in greater lock-step with capital markets. The narrowing of this gap has left many major commercial real estate markets on sounder footing than at any point since the Global Financial Crisis.

The spreads between cap rates and interest rates remain historically wide relative to long-term averages in most regions. These factors will likely continue to spur strong real estate investment activity as investors continue to seek yield. Low real estate yields, ample credit availability and low borrowing rates have motivated investors to pursue investments further up the risk curve, leading to significant increases in investment in speculative development and properties in secondary or even tertiary markets. However, development has occurred at a much more measured pace than in previous growth cycles. Development activity has largely been contained to markets that show the economic fundamentals to support it and areas that lack these fundamentals have been prudently avoided. Real estate market collapses have regularly been accompanied by the foreshadowing of massive overdevelopment and rising vacancy rates, but currently there is less evidence of these trends emerging as we move into the first half of 2016.

### Our key investment strategies

#### Buy below replacement cost

We target assets with low valuations located in rebounding markets that can be repositioned and then leased-up by under-cutting market rents. These opportunities typically arise as a result of ineffective management, inadequate leasing or physical deficiencies – often these issues can be addressed in our value creation approach.

#### Buy, fix, and sell

This approach typically targets older buildings in great locations that are in need of owner-oriented asset management initiatives including capital expenditure, repositioning, lease-up and the implementation of building efficiencies to capture rental and pricing differentials.

#### Develop core

In markets with strong long-term fundamentals and trends that support additional absorption, we will selectively develop properties through ground-up construction. We focus on developments that will meet end-user demand and appeal to core investors.

# Market commentary

## Private debt – demand grows for non-bank lenders

As the oversupply of cheap capital in the banking and CLO debt markets decreases, we see increasing opportunities for non-bank lenders like Partners Group. In particular, demand for flexible and cross-border debt financing, as well as for second lien debt, is growing in Europe, Asia and the US.

### Market overview

LBO debt volumes as of Q3 2015 YTD dropped to EUR 49 billion in Europe and USD 346 billion in the US, around 25% below 2014 equivalent levels. Although European volumes in October and November 2015 were slightly above the previous year, we expect the 2015 annual volume to stay below 2014 levels following lower buyout and particularly recap/refinancing activity. The recent decrease in senior volumes combined with lower demand for credit, primarily caused by lower CLO market issuance, has reduced the previous supply/demand imbalance.

The current weak demand for CLOs, especially at the top of the capital stack (i.e. from AAA investors), has decreased overall liquidity flows in the market and stabilized the supply-demand imbalance observed in H2 2015. Since mid-2015, CLO liability spreads have widened again, resulting in potentially less attractive economics for equity holders. The European regulatory environment partly explains the lower level of appetite, given Solvency II and high regulatory capital charges for insurance companies and Basel III requirements for European banks. Some investors have reached their limit on certain serial CLO issuers and thus have to diversify their CLO portfolios by manager. This could provide interesting opportunities for 'newer' CLO issuers to take advantage of the increasing Term Loan B spreads recently observed on the underlying loan collateral. The aforementioned risk-retention regulation has also prevented some potential investors from participating. Notwithstanding the above, the CLO market can open and close at short notice and the picture can vary significantly between geographies.

It should be noted that secondary market pricing also reflects outflows from retail loan funds in the US and the weakening of institutional bids, with the average flow names decreasing significantly in the US from 99.4 to 95.0 between Q2 and December 2015. Another driver of lower US secondary market pricing is the relative attractiveness of the new issue primary market, in which pricing has widened from previous periods. This dynamic has played out to a lesser extent in Europe, which has proved to be more resilient and has not dipped below 99.0.

Other capital markets, such as the high-yield bond market, have been affected by the recent volatility, with bankers recently widening their flex language (i.e. the ability to amend financing terms if necessary to successfully syndicate loans) to protect themselves against hung deals. This is providing private lenders with the opportunity to play a larger role in the capital structure. As a side note, the volatility seen across capital markets and current rising yields have made re-pricing extremely difficult for borrowers. S&P LCD did not track a single re-pricing in Q3 2015, marking a complete turnaround from Q2 2015 and providing a return to a more stable lending environment.

### Our key investment strategies

#### Offer creative structures

Our approach is to offer flexible and tailor-made capital structures. This has recently become a key differentiator, especially in the US where banks are restricted in their ability to provide leverage, and has allowed us to generate excess yields.

#### Focus on niche markets

We remain focused on resilient companies active in niche markets, protected by high barriers to entry and able to offer premium products or services crucial for their clients.

#### Support buy-and-build strategies

We continue to support successful sponsors and management teams in their buy-and-build strategies, by providing add-on acquisition financing in a timely manner, particularly under strict time constraints.



# Market commentary

## Private infrastructure – look away from the mainstream

Investor demand for infrastructure assets remains high and therefore so does pricing, especially in the core brownfield space. To find quality assets at reasonable prices, we look outside the mainstream to markets undergoing a transformative shift in the demand or use of infrastructure.

### Market overview

Historically low base rates, low inflation and moderate growth at best have been dominating the macroeconomic picture in many developed markets in recent years. In this environment, appetite for infrastructure assets has been rising continuously as investors increasingly value the asset class for its stable cash flows and inherent protection against future inflation. This has attracted capital to the sector and, in combination with the high availability of debt financing, has allowed asset valuations to surge. Core brownfield assets in developed jurisdictions are particularly sought-after as they are widely perceived to be the most stable. Given the attractive characteristics of these investments, they have become the most "mainstream" among investors drawn to the infrastructure asset class. However, with modest underwritten equity returns for these assets only in the mid- single digits, we maintain our belief – stated in previous Private Markets Navigators – that investors are not always adequately compensated for inherent business, regulatory, or macro risks, and that there is a clear chance some of these assets might underperform when regulations change or when real rates start reverting back to long-run levels.

The fundraising environment is reflective of the strong demand for infrastructure investment. According to Preqin, an industry data provider, average fund sizes of private infrastructure funds have increased by almost 70% over the past five years from USD 521 million in 2010 to USD 883 million in 2015. The record amount of dry powder available to fund managers has further helped to push up prices because it has increased competition for assets. This trend is expected to continue in 2016 as several large and mega funds are launching into the market, including GIP III, which has a target size of USD 15 billion, and Brookfield III, with a target size of USD 10 billion.

### Our key investment strategies

#### Focus on value enhancement potential

We focus on investment opportunities that offer us the potential to enhance operational value through growth and efficiency improvements. One key source of these investment opportunities is the ongoing trend for corporate owners of infrastructure to sell assets as part of a restructuring process.

#### Search for transformative growth

We seek out opportunities where strong long-term fundamentals in a particular market support the demand for building a select type of infrastructure, for example, due to evolving infrastructure needs or changing market fundamentals.

#### Build out market-leading infrastructure platforms

We look for investments that offer us the opportunity to build scale, for example through investing in fragmented markets that have the potential for consolidation and platform building.



Partners Group is committed to investing responsibly. We believe that the integration of environmental, social and governance factors into our investment processes is a core part of our fiduciary duty to act in the best interests of our clients and their beneficiaries.

# Responsible investment report

## Chairman's introduction

**In recent years there has been growing recognition of the importance of managing ESG factors effectively among companies that operate in the financial services sector. As private markets investment managers, we are entrusted with the savings of millions of beneficiaries worldwide and are therefore also responsible for the investments we make on their behalf. These enable us to generate sustainable value over the long term to the benefit of our clients and other stakeholders.**



Private markets investment managers enjoy much greater insights than public markets managers into their portfolio companies. The best-performing private markets investment managers leverage this knowledge, together with a long-term and active ownership model, to drive sustainable value creation and ensure ESG factors are well managed in the investments they make. In addition, the alignment of interests between owners of assets and their management teams inherent in private markets investing facilitates efficient decision-making, allowing for a responsible ownership model to be implemented more effectively.

At Partners Group, we are fully committed to investing our clients' capital in a responsible manner. As stated in our Charter, we create lasting positive impact by managing assets with a long-term perspective. Over the years, we have constantly strived to establish and enhance our approach to responsible investment and have developed our own Responsible Investment Policy and Framework. This framework is consistently applied to each investment opportunity and ensures that ESG factors are integrated throughout the investment cycle across all private markets asset classes. We firmly believe that this approach mitigates investment risk and has the potential to enhance investment returns in the best interest of our clients and their beneficiaries.

Our responsible investment report describes how we invest responsibly, how we use our investment skills to positively contribute to society beyond our core investments, and how we maintain high standards of corporate governance to secure the long-term success of our business.

Dr. Peter Wuffli, Chairman of the Board of Directors

*Japan Solar*

Japan Solar owns and will develop a pipeline of over 300MW of Japanese solar power projects by the end of 2016. It contributes to the Japanese government's plans to phase out nuclear power following the Fukushima disaster of 2011.

# Responsible investment report

## We are responsible investors

Partners Group is committed to investing responsibly. We were one of the first private markets investment firms to join the United Nations Principles for Responsible Investment (UN PRI) when we became a signatory in 2008. Our commitment to responsible investment is also deeply embedded in our Charter, which defines our purpose, vision and values and guides our every-day activities.

### Our commitment

We believe that the integration of material environmental, social and governance (ESG) factors into our investment processes is a core part of our fiduciary duty to act in the best interests of our clients and their beneficiaries.

As a leading global private markets investment manager, we integrate ESG factors throughout the investment process in all investment types (direct, primary and secondary) and asset classes (private equity, private debt, private infrastructure and private real estate). To ensure the systematic integration of ESG factors in this process, we have developed a Responsible Investment Policy, Methodology and Framework.

### We create lasting positive impact

We manage assets with a long-term perspective to the benefit of individuals and societies worldwide. We aspire to be a role model in corporate responsibility and we continuously raise environmental, social and governance standards.

### We invest responsibly.

*Extract from Partners Group's Charter*

## Environmental and social benefits created by Partners Group's 2015 direct investments

### Private equity

**157'000**

Number of people employed by our largest 25 direct private equity investments.

### Private debt

**138'000**

Number of people employed by our largest 30 private debt investments.

### Private real estate

**850'000**

Square meters of net lettable area comprised by our direct real estate investments.

### Private infrastructure

**400'000**

Metric tons of carbon dioxide emissions avoided by our direct low-carbon power assets.

All figures above are as of June 2015.



# Responsible investment report

## Our Policy and Methodology

Partners Group's Responsible Investment Policy highlights two reasons for integrating ESG factors:

- **Investment-related:** to mitigate investment risk and, where possible, enhance investment returns.
- **Reputation-related:** to ensure that the assets in which we invest on behalf of our clients respect and, where possible, benefit society and the environment.

We ensure our policy is consistently applied by requiring investment teams to follow the relevant processes for integrating ESG factors for each asset type. Our Responsible Investment team supports deal teams across the firm and ensures that all teams act upon the guidelines the firm has set out. Ultimately, each individual is responsible for meeting the principles of our Responsible Investment Policy, under the supervision of the Specialist and Global Investment Committees.

The table below shows how we actively integrate ESG factors in all investment types: **direct**, **primary** and **secondary**. Typically, we have the greatest influence on our direct equity investments across private equity, private real estate and private infrastructure. We therefore focus on using this influence during the investment period to encourage the assets in which we have invested to improve their management of ESG factors.

**Directs:** we invest in attractive companies, real estate and infrastructure assets with high development potential.

**Secondaries:** we acquire companies or portfolios of assets with significant value potential on the secondary market.

**Primaries:** we complement our direct and secondary investments with commitments to select managers in the private markets industry.

The Responsible Investment team, in collaboration with the Industry Value Creation team (for private equity) and the Asset Management teams (for private real estate and private infrastructure), ensure the management teams and boards of our portfolio investments implement improvement projects.

**ESG Maturity Assessment:** this assessment measures our portfolio companies' performance in managing ESG factors and allows us to identify and implement operational improvement opportunities.

**Primary ESG Assessment:** this assessment measures how thoroughly private markets managers integrate ESG factors into their investment processes.

## Partners Group's ESG integration by investment type

	Sourcing	Due diligence	Ownership
Directs	We use environmental and social trends to identify those sectors, regions and industry strategies likely to offer higher value relative to other segments at a given time.	We identify ESG factors through our due diligence and by referring to external standards, such as the <b>Sustainable Accounting Standards Board</b> and the <b>UN Global Compact</b> standards. We integrate these findings into our investment decision.	We use our " <b>ESG Maturity Assessment</b> " to identify operational improvement opportunities. We support our investments in initiating, delivering and tracking improvement projects.
Primaries	ESG factors can help identify investment managers specializing in assets that benefit society or the environment.	We undertake a " <b>Primary ESG Assessment</b> " on all potential investments to assess how thoroughly a manager integrates ESG factors. We negotiate standards for managing ESG factors into fund documentation.	We review assets in which we are invested via primaries and secondaries to: - monitor those providing products or services with ethical or reputational risk, - identify, where possible, those whose business practices pose risks.
Secondaries		We assess potential secondary investments to confirm that all assets provide products or services that are acceptable from a reputational perspective for our clients.	



# Responsible investment report

Our approach to integrating ESG factors in all investment types is also informed by leading external standards, such as the UN Global Compact and the Sustainable Accounting Standards Board.

## Sustainable Accounting Standards Board (SASB)

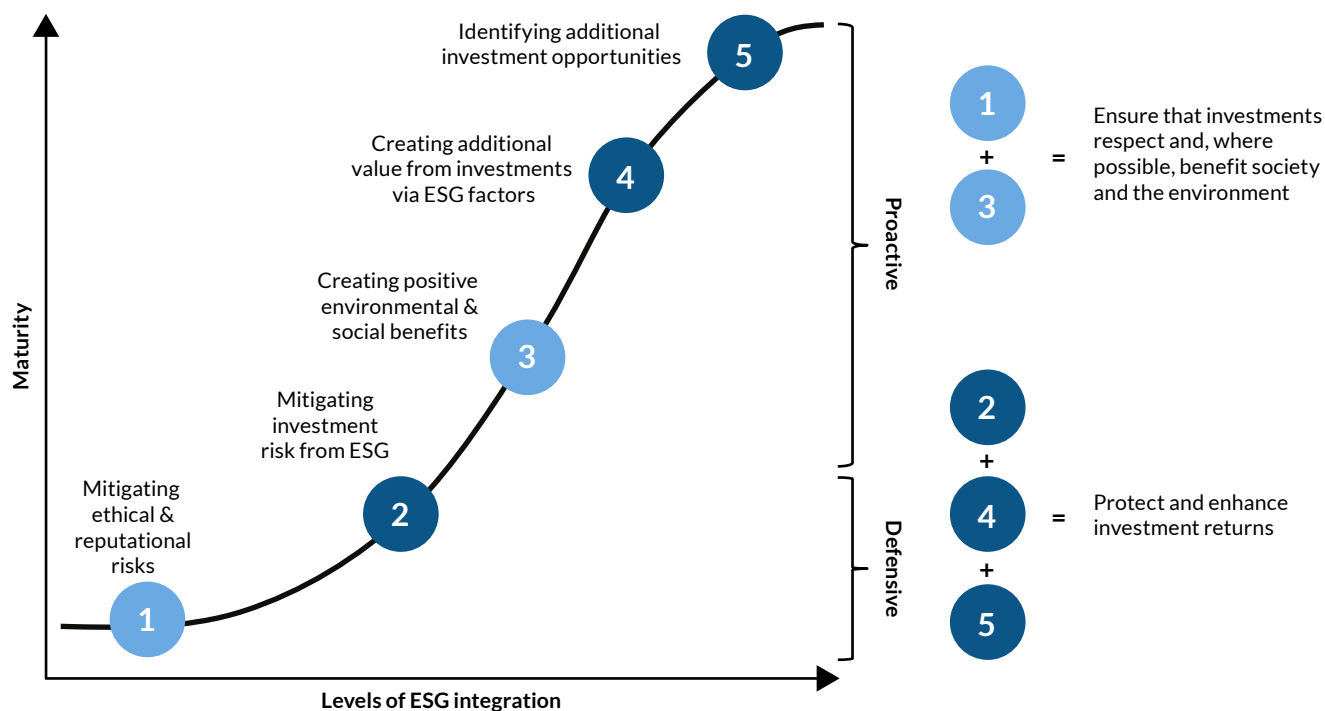
SASB develops and disseminates sustainability accounting standards that help companies disclose material ESG information to investors. We believe that by drawing on SASB's standards, we can more easily identify material ESG factors which need to be assessed during due diligence for each potential investment.

## UN Global Compact

The UN Global Compact is the leading global initiative to encourage companies to operate responsibly. It was launched in 2000 and has over 8'300 corporate signatories. Based on its leading reputation, we employ the UN Global Compact's principles as a reference for the standards that our direct investments should meet.

Our ESG Integration Methodology recognizes the different ways in which ESG factors can be relevant for investments.

## Partners Group's ESG Integration Methodology



# Responsible investment report

## 1 Mitigate ethical and reputational risk

Assets can create reputational risk for investors if they provide a product or service that harms, or is perceived to harm, society or the environment, or if their business practices are irresponsible. Our Responsible Investment Framework provides a clear basis for assessing investments that could create ethical or reputational risk.

### Partners Group's Responsible Investment Framework

	Products/services	Practices
<b>Beneficial:</b> clear, positive impact on society or environment	<b>SEEK</b> (e.g. education, healthcare)	<b>ENCOURAGE</b> (e.g. energy efficiency, responsible employment)
<b>Neutral/potentially harmful:</b> possible adverse impact on society or environment	<b>DECIDE</b> (e.g. alcohol)	<b>DECIDE</b> (e.g. labor conditions)
<b>Harmful:</b> significant, clear negative impact on society or environment	<b>EXCLUDE</b> (e.g. pornography)	<b>AVOID</b> (e.g. high carbon emissions)
<b>Illegal/banned</b> under international protocols	<b>EXCLUDE</b> (e.g. cluster bombs, landmines)	<b>AVOID</b> (e.g. corruption, human rights breaches)

#### Social Progress Index

The Social Progress Index is a rigorous methodology used to compare the societal wellbeing of countries. We employ the Social Progress Index as a respected, external standard to identify companies and assets that benefit society.

In 2015, over 20 projects were initiated in our direct investments to reduce the risk of incidents that could create reputational risk. At the same time, we excluded or avoided investment opportunities we encountered that created significant reputational risk for the firm and our clients. A selection of examples is mentioned below:

	<b>SEEK</b> investments in companies and assets providing products/services that contribute to social welfare as defined, for example, by the <b>Social Progress Index</b> .	<b>Example:</b> in 2015, we invested in a wind farm which will be Australia's third largest low-carbon power project once completed.
	<b>ENCOURAGE</b> portfolio companies and assets to strengthen their management of environmental, social and governance factors.	<b>Example:</b> we implemented a robust plan for environmental remediation and community engagement at a former industrial site.
	<b>DECIDE</b> whether we are comfortable investing and justifying the investment to clients and publicly, based on objective research, external standards (such as the <b>UN Global Compact</b> ) and alignment with our Responsible Investment Policy.	<b>Example:</b> we considered investing in a producer of alcoholic drinks as it adopted strong standards and policies to ensure responsible consumption and marketing.
	<b>AVOID</b> investments which cause harm and/or pose material investment or reputational risks unless we are convinced their practices can be significantly improved during our ownership.	<b>Example:</b> we declined a portfolio containing a payday lending company that used irresponsible marketing practices to attract low-income clients.
	<b>EXCLUDE</b> investments in companies or assets whose products or services are illegal or inevitably harm societal welfare or the environment.	<b>Example:</b> we excluded an investment into a manufacturer of critical components designed to enhance the ballistic effectiveness of offensive military weapons.



*Victorian Comprehensive Cancer Centre*

The Victorian Comprehensive Cancer Centre is a cancer research and treatment facility in Australia. Once operational, it will provide over 300 patient beds, a clinical trial unit, a specialist research space, eight operating theatres, and education and training facilities.

# Responsible investment report

## 2 Mitigate investment risk

ESG factors can create significant risks to investment returns if they are mismanaged by companies and their investors. This was highlighted during 2015 by incidents such as the corruption investigation at Petrobras, accounting irregularities at Toshiba, and allegations regarding emissions testing at Volkswagen.

During 2015, we supported our portfolio companies in mitigating potential investment risks created by ESG factors. As a result, none of Partners Group's direct investments incurred incidents related to ESG factors that contributed to investment losses.

One of Partners Group's **direct investments in Latin America** partnered with the state government to offer employment opportunities to prisoners nearing their release dates. The government-sponsored program is designed to reduce relapses into criminal behavior by developing marketable job skills among the prison population. While the company's prisoner employment program complies with local regulations, we saw an opportunity to enhance the effectiveness of the program by adhering to a higher set of standards for prisoner employment, as set out by the International Labor Organization (ILO). An independent assessment against these standards identified opportunities to enhance training and health & safety procedures, which the management team subsequently implemented.



We have been working with one of our **direct investments** to ensure continued effective management of its health and safety performance. Initial due diligence of the company demonstrated a strong approach to minimizing the frequency and severity of incidents. However, we identified opportunities to ensure continued strong safety performance by comparing the company's processes, training and systems for safety management to best practices in different sectors. We are now supporting the management team in delivering a project to implement the improvements.



# Responsible investment report

## 3 Create positive environmental or social benefits

Assets can benefit society and the environment through the products or services they provide and through the way they are operated. In 2015, Partners Group's direct investments contributed to society through job creation and through beneficial services they provided:

**Private equity:** our largest 25 direct investments employed over 157'000 people and created over 7'900 net new jobs. This equated to a job creation rate of 5.1%, which was 3.2x greater than that achieved in the US economy in 2015 and 5.0x greater than that achieved in Europe during 2014.

**Private debt:** our largest 30 investments employed over 138'000 people. This was an increase of approximately 16% from the original investment dates.

**Private infrastructure:** our direct investments employed over 9'250 people, enabled 2.4 million passengers to travel safely and 1.4 million households to be supplied with water. Our direct low-carbon power assets allowed over 400'000 metric tons of carbon dioxide emissions to be avoided.

**Private real estate:** our direct investment SkyLab is targeting a BREEAM "Excellent" rating, a major European environmental certification, as well as a Minergie certification, a leading Swiss building sustainability standard.

Examples of individual investments that particularly contributed to society during 2015 include:

### Private equity

**Multiplan:** a leading US healthcare cost management provider. In 2015, Multiplan enabled estimated savings of over USD 10 billion. It therefore contributes to easing pressures on US healthcare expenditure, which is forecast to increase to around 30% by 2040.

**Eurodrip:** a leading global provider of irrigation services and products to over 70 countries. Compared to other irrigation technologies, Eurodrip's drip irrigation improves crop yields by 10-20%, reduces water use by up to 70%, and reduces fertilizer use by over 50%.

**KinderCare Education:** provides early childhood education and care to over 160'000 children daily in the US. This is beneficial as an estimated 70% of a person's brain development occurs in the first three years of life.



KinderCare Education

All figures above are as of June 2015.



# Responsible investment report

## Private infrastructure

**Victorian Comprehensive Cancer Centre:** a cancer care and research facility in Melbourne, Australia. When it is operational in 2016, it will provide over 300 patient beds and enough space for over 1'200 researchers. Cancer causes about 3 in 10 deaths in Australia.

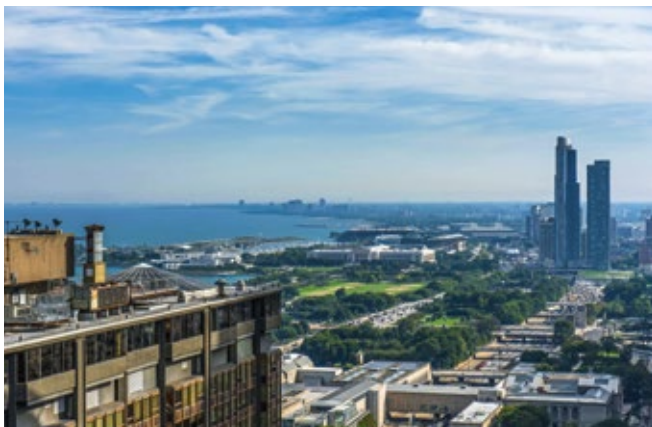
**Japan Solar:** one of Japan's leading independent solar power producers, with over 400MW of projects under construction or development. Solar power contributes to the carbon emissions reduction goals agreed on at the December 2015 Paris climate change conference.

**Carlsbad Desalination Plant:** a seawater desalination plant in California, which is in a fourth consecutive year of drought, that will supply sufficient water for over 100'000 households. The plant became operational in December 2015.

## Private real estate

**SkyLab:** a 23'900 sqm office in Geneva, Switzerland, that plans to achieve an "Excellent" rating from BREEAM (a major European environmental certification). It is also targeting a Minergie certification, a leading Swiss building sustainability standard. The building is designed to reduce environmental impacts. For example, it incorporates 125 places for storing bicycles and is close to public transportation links.

**200 North Michigan Avenue:** a 41-story residential development at 200 North Michigan Avenue in Chicago, which topped out in September 2015. Once fully completed, the development will feature over 400 luxury residences, as well as 22'000 sqft of prime retail space. The project is focused on sustainability and is anticipated to obtain a LEED certification, a major environmental certification issued by the US Green Building Council.



View from 200 North Michigan Avenue

## Private debt

**Environmental Resources Management (ERM):** a leading global provider of environmental, health, safety, risk and sustainability consulting services. It has more than 5'000 staff in over 40 countries.

**Busy Bees Childcare:** the largest provider of childcare in the UK. The only UK nursery organization independently audited to comply with the international health and safety standard BS OHSAS 18001.

**Affordable Care, Inc.:** the largest denture and implant services provider in the US, providing high-quality, low-price dental prostheses with same-day service to over 400'000 patients annually.



Affordable Care, Inc.



# Responsible investment report

## 4 Create additional value from investments

ESG factors can enable assets to enhance financial performance and investment returns, while delivering environmental or social benefits. During 2015, Partners Group's direct portfolio assets initiated and managed responsible business operational improvement projects to create additional value, including:

### Private equity

In October 2015, Partners Group acquired a majority stake in a chain of 139 **Taco Bell** and **Buffalo Wild Wings** restaurants in the US. Our due diligence identified opportunities to reduce costs associated with turnover by improving human capital management. Employee turnover is an especially critical key performance indicator in the quick service restaurant industry, which depends on a high number of hourly workers with relatively short job tenure. Working alongside management, we are piloting initiatives designed to improve employee engagement and improve the exit interview process. We plan to expand these improvements company-wide by the end of 2016.



Buffalo Wild Wings

### Private real estate

In May 2015, Partners Group sold its investment in **Kowloon East**, a conversion of a former industrial warehouse in Hong Kong, generating an IRR of 45%. The building was awarded a BEAM rating, a green building standard recognized by the Hong Kong Green Building Council. The building's environmental performance contributed to returns in two ways: by reducing costs and facilitating the exit process. The building's energy efficiency is 20% higher than comparable properties. In addition, an estimated HKD 2.4m of technical costs were saved by a special waiver due to the BEAM certification.



Kowloon East

# Responsible investment report

## 5 Identify investment opportunities

Environmental and social trends are powerful drivers of change. They therefore often create opportunities for business growth. New investments that Partners Group made in 2015 that were identified via an environmental or social trend, or where the trend deepened our conviction in the investment based on Partners Group research, include:

### Private equity

- A series of high-profile food contamination incidents in China, including in baby foods, have increased consumer focus on buying high-quality products for their young children. In addition, following the Chinese government's ending of the one-child policy in October 2015, the number of babies born in China is expected to increase by 500'000 to 1 million per year. These trends reinforced our decision in 2015 to invest in **Aiyingshi**, one of China's leading retail chains of maternity, baby and child products.
- Brazil's population is aging. The percentage of the population aged over 60 is expected to increase from 10% in 2010 to 19% by 2030. An aging population faces increasing incidence of chronic diseases. In addition, the Brazilian public healthcare system is struggling due to strained public finances. In-patient hospital beds have declined from 3.3 beds per 1'000 people in 1993, to 1.9 in 2009. These dynamics supported a direct equity investment made in 2015 in **one of Brazil's largest private hospital operators**.

### Private infrastructure

- Growth of renewable electricity power generation reduces carbon dioxide emissions but creates challenges for power grids. Renewable resources can be unpredictable and intermittent, which means that electricity supply can fluctuate sharply throughout the day. There is therefore increasing need for flexible generation capacity to ensure grid reliability. This trend supported an investment we made in 2015 in **Sentinel Energy Center**, an 800MW natural gas-fired power generation facility in California, US. It complements renewable electricity sources by being able to ramp up to full capacity in less than 10 minutes. Sentinel was efficiently built and highly effective, with two years of operating history at 98% availability. Natural gas burns completely and leaves no ash, making it a cheap and environmentally-friendly source of energy.
- In 2015, Australia's two main political parties agreed on the goal of doubling large-scale renewable energy capacity by 2020. This target was a strong contributing factor in our decision to invest in **Ararat Wind Farm**, which will be Australia's third largest wind farm once it becomes operational in 2017.



*View from 200 North Michigan Avenue*

The 41-story development at 200 North Michigan Avenue, Chicago, will feature over 400 apartments. The project is focused on sustainability and is anticipated to obtain a LEED certification, a major environmental certification issued by the US Green Building Council.

# Responsible investment report

## We are responsible citizens

Our experience of impact investing dates back to 2006, when our employee foundation, PG Impact (Verein), was established and incorporated, in the wake of the 2004 Asian Tsunami. Since then, we have supported 24 social enterprises through PG Impact. In 2015, we decided to institutionalize our impact investing practice through the creation of non-profit **PG Impact Investments AG**, a private sector, mission-driven, global investment firm that specializes in investment solutions that both deliver financial returns and create a positive social and/or environmental impact.

### Our vision and purpose

PG Impact Investments' vision is that private investment, innovation and entrepreneurial talent can provide solutions to the challenges facing the poorest people in society. The firm manages investment strategies for an international clientele of professional investors who are seeking investment solutions that offer positive financial returns while also wanting to help address pressing social or environmental needs.

All profits from PG Impact Investments are used to finance social initiatives and ventures which aim to benefit underprivileged communities, but which would typically not meet the criteria to receive funding through commercial investors or investment funds. While being independent, PG Impact Investments is backed by Partners Group and its employees, and benefits from the firm's global infrastructure, investment know-how and specialist resources.

### Impact investing

The Global Impact Investing Network (GIIN) defines impact investments to be "investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return." Partners Group's impact investments focus specifically on creating social impact.

### Our impact investment Runa LLC

With the acquisition of a minority stake in US-based Runa LLC ("Runa") in 2015, PG Impact Investments completed its first investment. The stake was acquired in a Series C financing round and provides Runa with an injection of growth capital which will support the company's expansion plan.

Founded in 2009, Runa is a producer and marketer of 100% Organic, Fair Trade and Non-GMO certified "ready-to-drink" teas and energy drinks. Runa's core ingredient is Guayusa tea (pronounced "gwhy-you-sa"), a rare leaf from the Ecuadorian Amazon that contains as much caffeine as coffee and double the antioxidants of green tea. As a social enterprise, Runa is improving livelihoods for over 3'000 indigenous farming families in the Amazon who sustainably grow guayusa in the rainforest, and has planted in excess of 1.2 million guayusa trees. In 2015, Runa sold 4.5 million bottles and energy cans in over 10'000 stores in the US, including Whole Foods and Safeway.

PG Impact Investments will work closely with Runa's management team, led by founder and CEO Tyler Gage, as it carries out its expansion plan. This includes further strengthening its brand and distribution capabilities, supporting the national and international expansion plans, as well as securing additional growth capital.

Tyler Gage comments: "We have built the world's only supply chain for guayusa and established the Runa brand in the US. We are now ready for the next phase of our expansion and believe that PG Impact Investments, with its access to Partners Group's global network, is the ideal partner to help us realize our potential for growth and social impact."





*Amazonian farmer supplying guayusa leaves for Runa*

Runa is a social enterprise that produces beverages, sold in the US, made from the naturally caffeinated leaves of the guayusa tree in Amazonia. It improves the livelihoods of over 3'000 indigenous farmers in 90 communities who supply the leaves.

# Responsible investment report

## We are a responsible firm

In line with the ESG principles and practices we apply to our investments, we also want to ensure that our firm is managed in a responsible manner. This is why we are highly committed to good corporate governance and responsible business practices, as well as to the ongoing development of our global and diverse leadership team. Our strong corporate culture supports this development and ensures the sustained success of our business over the long term.

### Our corporate governance

We are committed to meeting high standards of corporate governance and aim to be consistent with international best practices. To establish the basis for strong corporate governance, we have adopted policies and standards in areas such as the Board's responsibilities, duties and independence, and the relationship between the Board and management. The Board has established specific sub-committees to promote and monitor their respective areas of responsibility: the Risk & Audit Committee, the Nomination & Compensation Committee, the Strategy Committee and the Markets Committee.

- For detailed information on our corporate governance structure, please refer to our 2015 corporate governance report (<http://www.partnersgroup.com/en/shareholders/corporate-governance/corporate-governance-report/>).

### Our culture

It is of fundamental importance for us to maintain a strong corporate identity throughout the firm. Our commitment to promoting our firm's guiding principles is deeply embedded in our culture and epitomized in our Partners Group Charter, which defines our purpose, vision and values. The Charter is an integral part of employee training from management through to entry level staff.

- The Partners Group Charter is publicly available on our website: <http://www.partnersgroup.com/en/about/our-charter/>.

### Our team & development

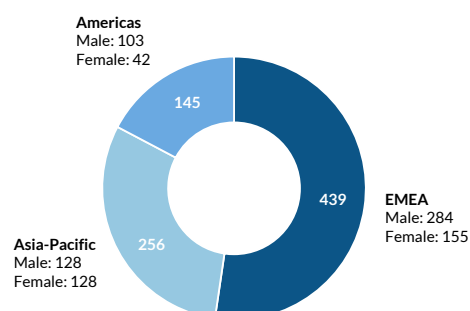
We are responsible for the development of our team and recognize that our employees are our most important asset and the key to our success. As such, we aim to attract and retain talented and diverse professionals by offering them a rewarding working environment that gives them the opportunity to grow both professionally and personally. We are committed to employee development and training and offer our professionals a number of assessment and mentoring programs.

- Assessment programs: we evaluate individual development through both a quantitative goal setting process and a qualitative 360° feedback process to ensure employees achieve their personal and professional goals. More information about these can be found in our 2015 compensation report (<http://www.partnersgroup.com/en/shareholders/corporate-governance/compensation-report/>).
- Training: our in-house programs include apprenticeships, internships, our Associate Program (<http://www.partnersgroup.com/en/careers/join-our-team/associate-program/>) and our Mentoring Program, which gives employees the chance to find a more senior and experienced professional within the firm who can act as a personal mentor.

### Our diversity

We are an equal opportunity employer and do not discriminate against employees or applicants on the basis of age, gender, nationality, or any other basis that is inconsistent with our guiding values. We pride ourselves on welcoming diversity in our workforce and hire local talent throughout our global platform. Today, our more than 800 professionals represent 50 different nationalities spread across 18 offices in 15 countries around the world.

#### Number of employees by location and gender



All figures above are as of 31 December 2015.



# Index to the consolidated financial statements and report of the auditors

<b>1. Report of the auditors on the consolidated financial statements</b>	<b>46</b>
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<b>2. Consolidated financial statements:</b>
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– Consolidated income statement for the years ended 31 December 2015 and 2014	48
– Consolidated statement of comprehensive income for the years ended 31 December 2015 and 2014	49
– Consolidated balance sheet as of 31 December 2015 and 2014	50
– Consolidated statement of changes in equity for the years ended 31 December 2015 and 2014	52
– Consolidated cash flow statement for the years ended 31 December 2015 and 2014	54
– Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014	57

# Report of the auditors on the consolidated financial statements



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Report of the Statutory Auditor to the General Meeting of Shareholders of

**Partners Group Holding AG, Baar**

## Report of the Statutory Auditor on the Consolidated Financial Statements

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, statement of cash flows and notes (pages 48 to 120) for the year ended 31 December 2015.

### *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 consolidated 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 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

# Report of the auditors on the consolidated financial statements



## 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

A handwritten signature in blue ink, appearing to read 'C. Gröbli'.

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

A handwritten signature in blue ink, appearing to read 'T. Dorst'.

Thomas Dorst  
*Licensed Audit Expert*

Zurich, 15 March 2016

# Consolidated income statement for the years ended 31 December 2015 and 2014

In thousands of Swiss francs	Note	2015	2014
Revenues from management services, net	6	601'871	554'459
Other operating income	7	16'707	19'792
Share of results of associates	19	21	193
Third party services	8	(7'194)	(6'917)
Personnel expenses	9	(201'803)	(183'940)
General and administrative expenses		(27'988)	(24'373)
Travel and representation expenses		(14'176)	(12'059)
<b>EBITDA</b>		<b>367'438</b>	<b>347'155</b>
Depreciation and amortization	17&18	(10'607)	(16'473)
<b>EBIT</b>		<b>356'831</b>	<b>330'682</b>
Change in fair value of derivatives arising from insurance contract and settlement expenses, net	5	-	45'640
Net finance income and expense	10	81'042	36'734
<b>Profit before tax</b>		<b>437'873</b>	<b>413'056</b>
Income tax expense	11	(41'943)	(37'835)
<b>Profit for the period</b>		<b>395'930</b>	<b>375'221</b>
Profit for the period attributable to owners of the Company		395'930	375'221
Basic earnings per share (Swiss francs)	29	14.99	14.48
Diluted earnings per share (Swiss francs)	29	14.81	14.24

# Consolidated statement of comprehensive income for the years ended 31 December 2015 and 2014

In thousands of Swiss francs	2015	2014
<b>Profit for the period</b>	<b>395'930</b>	<b>375'221</b>
<b>Other comprehensive income:</b>		
Exchange differences on translating foreign operations	(27'533)	19'686
<b>Total other comprehensive income that may be reclassified to the income statement in subsequent periods</b>	<b>(27'533)</b>	<b>19'686</b>
Net actuarial gains/(losses) from defined benefit plans	(2'655)	(1'541)
Tax impact on net actuarial gains/losses from defined benefit plans	651	277
<b>Net actuarial gains/(losses) from defined benefit plans, net of tax</b>	<b>(2'004)</b>	<b>(1'264)</b>
<b>Total other comprehensive income not being reclassified to the income statement in subsequent periods, net of tax</b>	<b>(2'004)</b>	<b>(1'264)</b>
<b>Total other comprehensive income for the period, net of tax</b>	<b>(29'537)</b>	<b>18'422</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>366'393</b>	<b>393'643</b>
Total comprehensive income attributable to owners of the Company	366'393	393'643

# Consolidated balance sheet as of 31 December 2015 and 2014

In thousands of Swiss francs	Note	31 December 2015	31 December 2014
<b>Assets</b>			
Cash and cash equivalents	12	163'776	199'260
Marketable securities	13	11'561	11'250
Trade receivables	14	64'841	50'631
Other receivables	14	17'512	1'438
Prepayments, derivative assets and other current assets	14	34'851	113'663
Short-term loans	15	581'108	421'760
Assets held for sale	16	90'017	78'863
<b>Total current assets</b>		<b>963'666</b>	<b>876'865</b>
Property and equipment	17	15'522	18'735
Intangible assets	18	46'448	48'472
Investments in associates	19	129'440	449
Other investments	20	338'162	285'615
Other financial assets	21	3'917	4'675
Employee benefits	26	-	1'856
Deferred tax assets	22	3'809	10'141
<b>Total non-current assets</b>		<b>537'298</b>	<b>369'943</b>
<b>Total assets</b>		<b>1'500'964</b>	<b>1'246'808</b>



# Consolidated balance sheet as of 31 December 2015 and 2014

In thousands of Swiss francs	Note	31 December 2015	31 December 2014
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Trade payables		33'311	14'709
Income tax liabilities		26'050	20'668
Accrued expenses	23	82'016	81'807
Other current liabilities	24	4'208	5'175
Borrowings	25	95'000	-
Liabilities held for sale	16	5'182	1'535
<b>Total current liabilities</b>		<b>245'767</b>	<b>123'894</b>
Employee benefits	26	1'727	-
Provisions	27	22'852	12'246
Deferred tax liabilities	22	5'690	6'601
Other long-term liabilities		920	676
<b>Total non-current liabilities</b>		<b>31'189</b>	<b>19'523</b>
<b>Total liabilities</b>		<b>276'956</b>	<b>143'417</b>
<b>Equity</b>			
Share capital	28	267	267
Treasury shares		(133'802)	(119'783)
Legal reserves	28	218	218
Other components of equity		1'357'325	1'222'689
<b>Equity attributable to owners of the Company</b>		<b>1'224'008</b>	<b>1'103'391</b>
<b>Total liabilities and equity</b>		<b>1'500'964</b>	<b>1'246'808</b>

# Consolidated statement of changes in equity for the years ended 31 December 2015 and 2014

Equity attributable to owners of the Company							
In thousands of Swiss francs				Other components of equity			2015
	Share capital	Treasury shares	Legal reserves	Translation reserves	Retained earnings	Total other components of equity	Total
<b>Balance as of 1 January 2015</b>	<b>267</b>	<b>(119'783)</b>	<b>218</b>	<b>(38'554)</b>	<b>1'261'243</b>	<b>1'222'689</b>	<b>1'103'391</b>
<b>Transactions with owners of the Company, recorded directly in equity</b>							
<i>Contributions by and distributions to owners of the Company:</i>							
Purchase of treasury shares		(271'512)					(271'512)
Disposal of treasury shares		257'493			(43'850)	(43'850)	213'643
Share-based payment expenses					25'623	25'623	25'623
Tax effect resulting from equity-settled transactions					11'464	11'464	11'464
Dividends paid to owners of the Company					(224'994)	(224'994)	(224'994)
<b>Total contributions by and distributions to owners of the Company</b>	<b>-</b>	<b>(14'019)</b>	<b>-</b>	<b>-</b>	<b>(231'757)</b>	<b>(231'757)</b>	<b>(245'776)</b>
<b>Total comprehensive income for the period, net of tax</b>							
Profit for the period					395'930	395'930	395'930
<i>Other comprehensive income:</i>							
Exchange differences on translating foreign operations				(27'533)		(27'533)	(27'533)
Net actuarial gains/(losses) from defined benefit plans					(2'655)	(2'655)	(2'655)
Tax impact on net actuarial gains/losses from defined benefit plans					651	651	651
<b>Total other comprehensive income for the period, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(27'533)</b>	<b>(2'004)</b>	<b>(29'537)</b>	<b>(29'537)</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(27'533)</b>	<b>393'926</b>	<b>366'393</b>	<b>366'393</b>
<b>Balance as of 31 December 2015</b>	<b>267</b>	<b>(133'802)</b>	<b>218</b>	<b>(66'087)</b>	<b>1'423'412</b>	<b>1'357'325</b>	<b>1'224'008</b>

# Consolidated statement of changes in equity for the years ended 31 December 2015 and 2014

Equity attributable to owners of the Company							
In thousands of Swiss francs				Other components of equity			2014
	Share capital	Treasury shares	Legal reserves	Translation reserves	Retained earnings	Total other components of equity	Total
<b>Balance as of 1 January 2014</b>	<b>267</b>	<b>(202'870)</b>	<b>218</b>	<b>(58'240)</b>	<b>1'117'447</b>	<b>1'059'207</b>	<b>856'822</b>
<b>Transactions with owners of the Company, recorded directly in equity</b>							
<i>Contributions by and distributions to owners of the Company:</i>							
Purchase of treasury shares		(158'504)					(158'504)
Disposal of treasury shares		241'591			(76'454)	(76'454)	165'137
Share-based payment expenses					28'328	28'328	28'328
Tax effect resulting from equity-settled transactions					5'861	5'861	5'861
Dividends paid to owners of the Company					(187'896)	(187'896)	(187'896)
<b>Total contributions by and distributions to owners of the Company</b>	<b>-</b>	<b>83'087</b>	<b>-</b>	<b>-</b>	<b>(230'161)</b>	<b>(230'161)</b>	<b>(147'074)</b>
<b>Total comprehensive income for the period, net of tax</b>							
Profit for the period					375'221	375'221	375'221
<i>Other comprehensive income:</i>							
Exchange differences on translating foreign operations				19'686		19'686	19'686
Net actuarial gains/(losses) from defined benefit plans					(1'541)	(1'541)	(1'541)
Tax impact on net actuarial gains/losses from defined benefit plans					277	277	277
<b>Total other comprehensive income for the period, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19'686</b>	<b>(1'264)</b>	<b>18'422</b>	<b>18'422</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19'686</b>	<b>373'957</b>	<b>393'643</b>	<b>393'643</b>
<b>Balance as of 31 December 2014</b>	<b>267</b>	<b>(119'783)</b>	<b>218</b>	<b>(38'554)</b>	<b>1'261'243</b>	<b>1'222'689</b>	<b>1'103'391</b>

# Consolidated cash flow statement for the years ended 31 December 2015 and 2014

In thousands of Swiss francs	Note	2015	2014
<b>Operating activities</b>			
Profit for the period		395'930	375'221
<i>Adjustments:</i>			
Share of results of associates	19	(21)	(193)
Net finance (income) and expense	10	(81'042)	(36'734)
Income tax expense	11	41'943	37'835
Depreciation of property and equipment	17	5'268	5'313
Amortization of intangible assets	18	5'339	11'160
Share-based payment expenses	9&26	25'623	28'328
Change in fair value of derivatives arising from insurance contract and settlement expenses, net	5	-	(45'640)
Change in fair value of assets held in experience account		(4)	(216)
Change in provisions	27	10'678	6'171
Change in employee benefit assets/liabilities		947	329
Other non-cash items		43	(638)
<b>Operating cash flow before changes in working capital</b>		<b>404'704</b>	<b>380'936</b>
(Increase)/decrease in trade and other receivables, prepayments, derivative assets and short-term loans		(112'764)	77'328
Increase/(decrease) in trade payables, accrued expenses and other current liabilities		19'917	10'968
Financial expenses (other than interest) paid		(1'152)	(523)
Dividends received from associates	19	-	4'066
<b>Cash generated from/(used in) operating activities</b>		<b>310'705</b>	<b>472'775</b>
Income tax paid		(34'239)	(15'947)
<b>Net cash from/(used in) operating activities</b>		<b>276'466</b>	<b>456'828</b>

# Consolidated cash flow statement for the years ended 31 December 2015 and 2014

In thousands of Swiss francs	Note	2015	2014
<b>Investing activities</b>			
Change in marketable securities		478	6'443
Proceeds on disposal of property and equipment		-	36
Purchase of property and equipment	17	(2'453)	(2'462)
Purchase of intangible assets	18	(5'566)	(5'332)
Proceeds on disposal of other investments <sup>1)</sup>		72'381	46'950
Purchase of other investments <sup>2)</sup>		(111'845)	(120'953)
Acquisition of subsidiary, net of cash acquired	5	(73'668)	-
Change in other financial assets		(370)	223
Interest received		101	392
Dividends received		7	17
<b>Net cash from/(used in) investing activities</b>		<b>(120'935)</b>	<b>(74'686)</b>
<b>Financing activities</b>			
Proceeds from and (repayments of) borrowings, net	25	95'000	(60'000)
Interest paid	10	(263)	(1'289)
Dividends paid to shareholders of the Company	28	(224'994)	(187'896)
Purchase of treasury shares		(271'512)	(158'504)
Disposal of treasury shares		213'643	165'137
<b>Net cash from/(used in) financing activities</b>		<b>(188'126)</b>	<b>(242'552)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(32'595)</b>	<b>139'590</b>
Cash and cash equivalents as of 1 January	12	199'260	58'174
Foreign exchange gains/(losses) on cash and cash equivalents		(2'889)	1'496
<b>Cash and cash equivalents as of 31 December</b>	<b>12</b>	<b>163'776</b>	<b>199'260</b>

<sup>1)</sup> Proceeds on disposal of investments held for sale is included in this line item

<sup>2)</sup> Purchase of investments held for sale is included in this line item



**Bastian Wolff** Head Private Real Estate Asia | **Martin Scott** Head Investment Solutions Australia

Partners Group strives for transparent, comparable and high-quality financial reporting. The firm's consolidated financial statements provide this to existing and potential shareholders, as well as to other stakeholders such as clients and employees.



# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

## 1. Reporting entity

Partners Group Holding AG ("the Company") is a company domiciled in Switzerland whose shares are publicly traded on the SIX Swiss Exchange. The address of the Company's registered office is Zugerstrasse 57, 6341 Baar-Zug, Switzerland. The consolidated financial statements for the years ended 31 December 2015 and 2014 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 15 March 2016 and are subject to approval at the Annual General Meeting of shareholders on 11 May 2016.

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 presented in millions of Swiss francs unless otherwise stated. The statements are prepared on a historical cost basis, except for the following assets and liabilities which are stated at fair value or at fair value less costs to sell: derivative financial instruments, instruments held for sale 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, as well as 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 18 November 2015. 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 2015 are consistent with those of the previous financial year presented in this report, except where new or revised standards were adopted, as indicated below.

#### 2.2.1 Standards, amendments and interpretations effective in 2015

The following amendments and improvements have been applied for the financial year beginning 1 January 2015:

- "Defined Benefit Plans: Employee Contributions" (amendments to IAS 19)
- "Annual Improvements to IFRSs 2010-2012 Cycle" (various standards)
- "Annual Improvements to IFRSs 2011-2013 Cycle" (various standards)

These amendments and improvements have no significant impact on the Group's financial statements.

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

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

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

Standard / Interpretation		Effective date	Planned adoption by the Group
<b>New standards or interpretations</b>			
IFRS 14, "Regulatory Deferral Accounts"	*	1 January 2016	Reporting year 2016
IFRS 15, "Revenue from Contracts with Customers"	**	1 January 2018	Reporting year 2018
IFRS 9, "Financial Instruments"	**	1 January 2018	Reporting year 2018
IFRS 16, "Leases"	**	1 January 2019	Reporting year 2019
<b>Revisions and amendments of standards and interpretations</b>			
Annual Improvements to IFRSs 2012-2014 Cycle	*	1 January 2016	Reporting year 2016
Disclosure Initiative (Amendments to IAS 1)	*	1 January 2016	Reporting year 2016
Accounting for Acquisition of Interests in Joint Operations (Amendments to IFRS 11)	*	1 January 2016	Reporting year 2016
Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)	*	1 January 2016	Reporting year 2016
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	*	1 January 2016	Reporting year 2016
Equity Method in Separate Financial Statements (Amendments to IAS 27)	*	1 January 2016	Reporting year 2016
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	*	1 January 2016	Reporting year 2016
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	*	1 January 2016	Reporting year 2016

\* No significant impact is expected on the consolidated financial statements of the Group

\*\* The impact on the consolidated financial statements of the Group cannot yet be determined with sufficient reliability

## 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 of 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.

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

When the Company holds 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 when 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 over 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.

Whenever necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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.

When the Group loses control over 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. 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, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

## **(b) 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 share of its associates' post-acquisition profits or losses is recognized in profit or loss 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.

Based on the Group's assessment of each individual associate, the share of results of associates is disclosed as operating income if comparable to revenues from management services. If the share of results is mainly driven by distributions and changes in fair value of the underlying investments, comparable to changes in fair value of other investments, the share of results is presented as "net finance income and expense".

# Notes to the consolidated financial statements

## for the years ended 31 December 2015 and 2014

### 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 assess their performance and to make decisions about resources to be allocated to the segments for which discrete financial information is available.

### 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 currency exchange rates 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 currency exchange rate at that date. Foreign exchange differences arising on translation are recognized in profit or loss. 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 currency exchange rates for the dates the fair value was determined at.

#### (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 currency 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. 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 reserves (related to the specific foreign operation) is reclassified to profit or loss as part of gain or loss on disposal.

#### (d) Applied foreign currency exchange rates

The Group applied the following currency exchange rates against the Swiss franc:

Year	Currency	Balance sheet rate	Average rate
2015	EUR	1.0872	1.0678
	USD	1.0002	0.9623
	GBP	1.4750	1.4704
	SGD	0.7060	0.7001
Year	Currency	Balance sheet rate	Average rate
2014	EUR	1.2024	1.2145
	USD	0.9936	0.9155
	GBP	1.5492	1.5070
	SGD	0.7498	0.7224

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

## 2.6 Accounting for derivative financial instruments

The Group uses derivative financial instruments to economically hedge its exposure to foreign currency 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 for the rendering of services, net of value-added tax and rebates and after eliminating sales within the Group. No revenue is recognized if there are significant uncertainties regarding the recovery of the consideration due.

The Group is active in different businesses (see note 6). Within the different businesses, the Group earns income for its various activities, 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. On-going investment management fees including all non-performance related fees are recognized when they are earned, based on the specific contracts. The fees may include a performance-related remuneration. Such 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.

In the process of structuring new products, the Group typically receives a fee for its services in connection with establishing investment vehicles and related legal and structuring work. These organizational fees are always one-off fees, which are typically due when a new investor commits into the structure. Occasionally, the Group also receives transaction fee income relating to private market transactions. These transaction fees are typically one-time occurring.

### Insurance premiums

The private equity insurance premiums exclusively relate to the investment structure of Pearl Holding Limited, Guernsey ("Pearl"), where the Group had acted only as policyholder, since European International Reinsurance Company Limited (a subsidiary of Swiss Re) had been the insurer and thus the Group forwarded the entire amount to the insurer (see note 5(b)).

### Revenue deductions

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

## 2.8 Other operating income

Other operating income comprises income resulting from the ordinary course of business but is not "revenue from management services, net". Other operating income includes interest income on short-term loans, true-up interest income on management and organizational fees and/or gain from disposal of subsidiaries.

## 2.9 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 profit or loss on a straight-line basis over the period of the lease. Lease incentives are recognized in profit or loss as an integral part of total lease expense. The majority of the Group's lease expenses result from rental agreements, especially office space rental agreements, and are classified as operating leases.

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

## 2.10 Net finance income and expense

Net finance income and expense comprises bank interest income and expense, dividend income, gains and losses on revaluations of financial instruments, foreign exchange gains/losses and gain on a bargain purchase and is recognized in profit or loss.

Dividend income is recognized in profit or loss 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.

## 2.11 Income tax expense

Income tax expense for the period comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items 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 basis 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.

## 2.12 Cash and cash equivalents

Cash and cash equivalents include cash on hand and call deposits held with banks. Bank overdrafts are shown within "borrowings" in current liabilities.

## 2.13 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.

## 2.14 Assets and liabilities held for sale

The Group may seed capital into investment programs that the Group typically manages with the objective to provide initial scale and facilitate marketing of the investment programs to third-party investors. For these investments held for sale, the Group is actively seeking to reduce its share in seed financed investment programs by recycling capital back into cash or by diluting.

Those investment programs deemed to be controlled under IFRS 10 are classified as held for sale and are presented in the separate balance sheet line items "assets held for sale" and "liabilities held for sale". Such assets and liabilities held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Investments that are subsequently disposed of or diluted, such that the Group is no longer deemed to have control under IFRS 10, will subsequently be re-classified to investments at fair value through profit or loss and presented as "other investments".



# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

## 2.15 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenses that are 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 costs of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss in the financial period in which they are incurred.

Depreciation of property and equipment is calculated using the straight-line method to allocate the cost of each asset, minus 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 estimated useful life of the related asset or to the date of the next major renovation, whichever is sooner.

The 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 2.18).

Gains and losses on disposals of property and equipment are determined by comparing proceeds with the carrying amount and are included in profit or loss.

## 2.16 Intangible assets

### (a) Client contracts

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

### (b) 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 interest 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 gain on a bargain purchase is recognized immediately in "net finance income and expense".

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.

### (c) 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.

### (d) 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 IE \$14 b) (iii), since such expenses represent incremental costs, which are directly attributable to securing an investment management contract.

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

## (e) Subsequent expenditure

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

## (f) Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of intangible assets unless such life is indefinite. Goodwill and other intangible assets with an indefinite useful life are tested at least annually for impairment as of the balance sheet date. Intangible assets with a determinable useful life are amortized from the date that they are available for use.

The useful life of intangible assets is as follows:

– Goodwill	indefinite
– Software	3 years
– Placing expenses	3–5 years
– Cost of initial put option	4 years
– Client contracts	3–5 years
– Other intangible assets	3–10 years

## 2.17 Investments

The Group classifies its investments into 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. Derivative financial instruments 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 notes 2.13 and 14; "short-term loans", see note 15), except for amounts with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets ("other financial assets", see note 21).

### (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 profit or loss in the period in which they arise.

# Notes to the consolidated financial statements

## for the years ended 31 December 2015 and 2014

The fair values of quoted investments are based on current bid prices. If the market for a financial asset (including unlisted securities) is not active, the Group establishes fair values by using various 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. For further explanations in connection with the determination of fair value please refer to note 4.2.

### 2.18 Impairment of assets

#### (a) Financial assets (including receivables)

Financial assets not carried at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence that they are impaired. Financial assets are impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the assets, and that the loss event had a negative effect on the estimated future cash flows of these assets 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 of its fair value below its cost is an objective evidence of impairment.

The Group considers evidence of impairment for receivables both at the level of a specific receivable, as well as at 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 may have 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 financial assets measured at amortized cost is calculated as the difference between their carrying amount and the present value of the estimated future cash flows discounted at the assets' 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 ("CGU"). 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.

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.

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

## 2.19 Trade payables

Trade payables are obligations to pay for goods and services that have been rendered 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.

## 2.20 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.

## 2.21 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 benefits to employees relating to employee services in the current and prior periods. 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 "personnel expenses" when due.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans specify 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 defined benefit plan.

The Group's net obligation (asset) in respect of defined benefit plans is calculated by estimating the amount of future benefits that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. When the actuarial calculation results in a benefit to the Group, the recognized asset is limited to 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.

Remeasurements of the net defined benefit liability (asset), which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect on the asset ceiling (if any, excluding interest) are recognized immediately in the consolidated statement of comprehensive income. The Group determines the net interest expense (income) on the net defined benefit obligation (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense (income) and other expenses related to defined benefit plans are recognized in profit or loss.

### (b) Share-based payment transactions

The fair value at grant date of share-based payment awards granted to employees is recognized as "personnel expenses", 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 fair value at grant date of the share-based payment is measured and immediately expensed in profit or loss to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

## 2.22 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 issuance 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, 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 re-issued, any consideration received, net of any directly attributable incremental transaction costs, 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.

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

## 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, rarely 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 manages 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 determined 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 that 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 manages, except for seed capital financed investment programs (see note 2.14). For detailed information on the investment programs and their carrying amounts please refer to note 20.

### (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 financial instruments, the determination of fair value requires subjective assessment with varying degrees of judgment depending on liquidity, concentration, pricing assumptions, the current economic and competitive environment and the risks affecting the specific financial instrument. In such circumstances, valuation is determined based on management's judgment about the assumptions that market participants would use in pricing assets or liabilities (including assumptions about risk). These financial instruments include derivatives, private equity, private debt, private real estate and private infrastructure investments as well as other assets.

For more information regarding fair value measurement refer to note 4.2.

### (c) Revenue recognition

Although the application is straightforward, instances may arise where the Group has to decide whether revenues 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.



# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

## 4. Financial risk management

### 4.1 Financial instruments by category

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

In thousands of Swiss francs	31 December 2015	31 December 2014
<b>Financial assets</b>		
<b>Financial assets at fair value through profit or loss</b>		
<i>Designated upon initial recognition:</i>		
Other investments	338'162	285'615
Other current assets (restricted cash and cash equivalents)	-	83'509
	<b>338'162</b>	<b>369'124</b>
<i>Held for trading:</i>		
Marketable securities	11'561	11'250
Derivative assets held for risk management	1'708	399
	<b>13'269</b>	<b>11'649</b>
<b>Financial assets at fair value less cost to sell</b>		
Assets held for sale	90'017	78'863
	<b>90'017</b>	<b>78'863</b>
<b>Loans and receivables</b>		
Trade receivables	64'841	50'631
Other receivables	17'512	1'438
Short-term loans	581'108	421'760
Other financial assets	3'917	4'675
	<b>667'378</b>	<b>478'504</b>
<b>Cash and cash equivalents</b>		
Cash and cash equivalents	163'776	199'260
	<b>163'776</b>	<b>199'260</b>
<b>Total financial assets</b>	<b>1'272'602</b>	<b>1'137'400</b>

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

In thousands of Swiss francs	31 December 2015	31 December 2014
<b>Financial liabilities</b>		
<b>Financial liabilities at fair value through profit or loss</b>		
Derivative liabilities held for risk management (accrued expenses)	7'303	8'478
	<b>7'303</b>	<b>8'478</b>
<b>Financial liabilities at fair value less cost to sell</b>		
Liabilities held for sale	5'182	1'535
	<b>5'182</b>	<b>1'535</b>
<b>Financial liabilities measured at amortized cost</b>		
Trade payables	33'311	14'709
Borrowings	95'000	-
	<b>128'311</b>	<b>14'709</b>
<b>Total financial liabilities</b>	<b>140'796</b>	<b>24'722</b>

## 4.2 Fair value measurement

### Introduction

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access to at that date. The fair value of a liability reflects its non-performance risk.

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 assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for assets or liabilities that are not based on observable market data (that is, unobservable inputs) (level 3).

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

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				31 December 2015
	Level 1	Level 2	Level 3	Total
Marketable securities	11'561			11'561
Derivative assets held for risk management		1'708		1'708
Assets held for sale			90'017	90'017
Other investments			338'162	338'162
<b>Financial assets</b>	<b>11'561</b>	<b>1'708</b>	<b>428'179</b>	<b>441'448</b>
Derivative liabilities held for risk management (accrued expenses)		7'303		7'303
Liabilities held for sale			5'182	5'182
<b>Financial liabilities</b>	<b>-</b>	<b>7'303</b>	<b>5'182</b>	<b>12'485</b>

In thousands of Swiss francs				31 December 2014
	Level 1	Level 2	Level 3	Total
Marketable securities	11'250			11'250
Other current assets (restricted cash and cash equivalents)	83'509			83'509
Derivative assets held for risk management		399		399
Assets held for sale			78'863	78'863
Other investments			285'615	285'615
<b>Financial assets</b>	<b>94'759</b>	<b>399</b>	<b>364'478</b>	<b>459'636</b>
Derivative liabilities held for risk management (accrued expenses)		8'478		8'478
Liabilities held for sale			1'535	1'535
<b>Financial liabilities</b>	<b>-</b>	<b>8'478</b>	<b>1'535</b>	<b>10'013</b>

The fair values for "cash and cash equivalents", "trade receivables", "other receivables", "short-term loans", "trade payables" and "borrowings" are expected to approximate their carrying amounts given the short-term nature of these financial instruments.

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

The following tables show the reconciliation of all level 3 financial instruments in 2015 and 2014:

In thousands of Swiss francs	31 December 2015	
	Financial assets	Financial liabilities
Balance as of 1 January 2015	364'478	1'535
Additions	115'554	3'709
Disposals	(72'381)	-
Change in fair value	37'495	-
Effect of movements in exchange rates	(16'967)	(62)
<b>Balance as of 31 December 2015</b>	<b>428'179</b>	<b>5'182</b>

In thousands of Swiss francs	31 December 2014	
	Financial assets	Financial liabilities
Balance as of 1 January 2014	235'112	50'493
Additions	122'488	1'535
Disposals	(46'950)	-
Change in fair value	42'131	(50'047)
Effect of movements in exchange rates	11'697	(446)
<b>Balance as of 31 December 2014</b>	<b>364'478</b>	<b>1'535</b>

There were no transfers between levels in 2015 and 2014.

## Other investments and investments held for sale

Other investments and investments held for sale, disclosed as level 3 financial instruments, consist of investments in investment programs that the Group manages. The Group's investments typically account for a stake of one percent in an investment program. For these investments, the determination of fair value requires subjective assessment with 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 assumptions about risk).

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 in accordance with IFRS 13 and determined on a reasonable basis.

These control processes include the review and approval of new investments made on behalf of investors. The Group has several investment committees. The investment selections and recommendations are made by the Specialized Investment Committees and the Global Investment Committee, supported by the Global Portfolio Strategies Committee. These committees decide whether or not new investments will be advised to the manager of the fund. The controls also include reviews of profit and loss at regular intervals, risk monitoring and reviews of price verification procedures and models, which are 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.

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

## Valuation techniques

Other investments held by the Group consist of investments into investment programs. These investment programs are in turn invested in direct and indirect equity and debt investments. The following valuation techniques are applied by the Group to determine fair values of equity and debt investments in line with IFRS 13:

- market approach
- income approach and
- adjusted net asset value method.

## Market approach

The market approach comprises valuation techniques such as market comparable companies and multiple techniques. A market comparable approach uses quoted market prices or dealer quotes for similar instruments to fair value a financial asset. A multiple approach can be used in the valuation of less liquid securities. Comparable companies and multiple techniques assume that the valuation of unquoted direct investments can be assessed by comparing performance measure multiples of similar quoted assets for which observable market prices are readily available. Comparable public companies based on industry, size, development stage, strategy, etc. have to be determined. Subsequently, the most appropriate performance measure for determining the valuation of the relevant direct investment is selected (these include but are not limited to EBITDA, price/earnings ratios for earnings or price/book ratios for book values). Trading multiples for each comparable company identified are calculated by dividing the market capitalization of the comparable company by the defined performance measure. The relevant trading multiples might be subject to adjustment for general qualitative differences such as liquidity, growth rate or quality of customer base between the valued direct investment and the comparable company set. The indicated fair value of the direct investment is determined by applying the relevant adjusted trading multiple to the identified performance measure of the valued company.

## Income approach

Within the income approach the Group primarily uses the discounted cash flow method and the capitalization model. Expected cash flow amounts are discounted to a present value at a rate of expected return that represents the time value of money and reflects the relative risks of the direct investment. Direct investments can be valued by using the “cash flow to investor” method (a debt instrument valuation), or indirectly, by deriving the enterprise value using the “free cash flow to company” method and subsequently subtracting the direct investment’s net debt in order to determine the equity value of the relevant direct investment. Expected future cash flows based on agreed investment terms or expected growth rates have to be determined. In addition and based on the current market environment, an expected return of the respective direct investment is projected. The future cash flows are discounted to the present date in order to determine the current fair value.

## Adjusted net asset value method

As a combination of the market and the income approach, the adjusted net asset value method is used. Indirect investments of investment programs managed by the Group are typically valued at the indirect investments’ net asset values last reported by the indirect investments’ general partners. When the reporting date of such net asset values does not coincide with the investment programs’ reporting date, the net asset values are adjusted as a result of cash flows to/from an indirect investment between the most recently available net asset value reported and the end of the reporting period of the investment program, and further information gathered by the investment advisor during its on-going investment monitoring process. This monitoring process includes, but is not limited to, binding bid offers, non-public information on developments of portfolio companies held by indirect investments, syndicated transactions which involve such companies and the application of reporting standards by indirect investments which do not apply the principle of fair valuation.

## Unobservable input factors

Where available, valuation techniques use market-observable assumptions and inputs. If such information is not available, inputs may be derived by reference to similar assets and active markets, from recent prices for comparable transactions or from other observable market data. When measuring fair value, the Group selects the non-market-observable inputs to be used in its valuation techniques based on a combination of historical experience, derivation of input levels based upon similar investment programs with observable price levels and knowledge of current market conditions and valuation approaches.

# Notes to the consolidated financial statements

## for the years ended 31 December 2015 and 2014

Within its valuation techniques the Group uses different unobservable input factors. Significant unobservable inputs include: EBITDA multiples (based on budgeted/forward-looking EBITDA or historical EBITDA of the issuer and EBITDA multiples of comparable listed companies for an equivalent period), discount rates, capitalization rates, price/book as well as price/earnings ratios and enterprise value/sales multiples. The investment program also considers the original transaction prices, recent transactions in the same or similar instruments and completed third-party transactions in comparable instruments, and adjusts the model as deemed necessary. Further inputs consist of external valuation appraisals and broker quotes. A significant portion of the investment programs' direct equity investments is measured at EBITDA multiples. EBITDA multiples used show wide ranges.

The value of level 3 direct equity investments valued by using an unobservable input factor are directly affected by a change in that factor. The change in valuation of level 3 direct equity investments may vary between different direct investments of the same category as a result of individual levels of debt financing within such an investment. Level 3 direct debt investments are typically valued using a waterfall approach including different seniority levels of debt. Thus, the effect of a change in the unobservable input factor on the valuation of such investments is limited to the debt portion not covered by the enterprise value resulting from the valuation.

### Sensitivity of fair values

From a Group perspective, other investments and investments held for sale are typically valued at the adjusted net asset values of the investment programs. A reasonable possible change in the adjusted net asset value would have the following effects on the fair value of other investments held by the Group with changes to be recognized in profit or loss:

In thousands of Swiss francs	31 December 2015	31 December 2014
Adjusted net asset value (1% increase)	4'230	3'629

Although the Group believes that its estimates of fair values are appropriate, the use of different methodologies and different unobservable inputs, especially in the underlying investments of investment programs, could lead to different measurements of fair value. Due to the number of unobservable input factors used in the valuation of the investment programs' direct investments and the broad range, in particular concerning the EBITDA multiple, a sensitivity analysis on these underlying unobservable input factors does not result in meaningful outcomes.

### 4.3 Financial risk management

The Group has exposure to the following risks arising from its holding 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 listed risks, the Group's objectives, policies and processes for measuring and managing these risks, 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 & 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.



# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

The 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 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 RAC.

## **4.3.1 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 typically 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 the Group's exposure to credit risk. The majority of the customers are investment programs that are managed by the Group.

The Group's counterparties are typically 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 material allowance for individual exposures or a collective loss allowance is currently established.

### **(b) Short-term loans**

In order to control the credit risk resulting from short-term loans to investment programs, the Group has established a system-based loan approval process. This is supported by a risk policy framework and pre-defined approval authorities. During the loan approval process rigorous qualitative and quantitative checks are being applied to ensure a high quality of the Group's loan portfolio.

### **(c) Other**

The Group's other credit risks arise from "cash and cash equivalents" (see note 12), "derivative assets" (see note 14), and "other current assets" (see note 14). The surplus cash (see note 4.3.2) is typically transferred to the 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).

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

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

In thousands of Swiss francs	Carrying amount	
	31 December 2015	31 December 2014
Cash and cash equivalents	163'761	199'250
Marketable securities (debt securities)	1'734	1'974
Trade receivables	64'841	50'631
Other receivables	163	375
Derivative assets held for risk management	1'708	399
Other current assets	-	83'509
Short-term loans	581'108	421'760
Other financial assets	3'917	4'675
	<b>817'232</b>	<b>762'573</b>
<i>Positions included in balance sheet, but not subject to credit risk:</i>		
Cash and cash equivalents (petty cash)	15	10
Marketable securities (equity securities held for trading)	9'827	9'276
Other receivables (income tax receivables, VAT etc.)	17'349	1'063
Prepayments	33'143	29'755

# Notes to the consolidated financial statements

## for the years ended 31 December 2015 and 2014

### 4.3.2 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 managing 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 a group-wide level. 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 subsidiaries, over and above the balance required for working capital management, are transferred to the Company to the extent permitted by regulatory and legal provisions. The Group holds its cash in current accounts or invests it in time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide 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 is 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, a negative pledge and change in ownership clause. The debt covenants were met throughout the current and prior year.

An additional overall credit facility of CHF 375 million with a syndicate of Swiss banks. This credit facility can be used as follows:

- CHF 225 million for financing of acquisitions.
- CHF 375 million, less the credit facility amount used for acquisitions, as an overdraft facility (for working capital financing).

Interest is calculated at a spread above the applicable LIBOR. The facility is unsecured but subject to several debt covenants. These include maintaining certain financial key ratios as well as several information duties. The debt covenants were met during the current and prior year.

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

The following table discloses the financial liabilities with their expected maturities:

In thousands of Swiss francs		31 December 2015				
	Carrying amount	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Trade payables	33'311	33'311				
Accrued expenses (derivative liabilities)	7'303	7'303				
Borrowings	95'000	95'000				
Unfunded commitments	172'131	172'131				
	<b>307'745</b>	<b>307'745</b>	-	-	-	-
<i>Positions included in balance sheet, but not subject to liquidity risk:</i>						
Other current liabilities (VAT, social security liabilities, etc.)	4'208	4'208				
Accrued expenses (bonus accruals, etc.)	74'713	74'713				

In thousands of Swiss francs		31 December 2014				
	Carrying amount	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Trade payables	14'709	14'709				
Accrued expenses (derivative liabilities)	8'478	8'478				
Unfunded commitments	139'200	139'200				
	<b>162'387</b>	<b>162'387</b>	-	-	-	-
<i>Positions included in balance sheet, but not subject to liquidity risk:</i>						
Other current liabilities (VAT, social security liabilities, etc.)	5'175	5'175				
Accrued expenses (bonus accruals, etc.)	73'329	73'329				

## 4.3.3 Market risk

Market risk is the risk that changes in market prices - such as foreign currency 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 returns.

The Group may buy and sell 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.

# Notes to the consolidated financial statements

## for the years ended 31 December 2015 and 2014

### (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 currency risk results from exposure in euro (EUR), but also in 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.

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	31 December 2015				
	CHF	EUR	USD	GBP	SGD
Cash and cash equivalents	236	4'779	7'066	1'500	156
Trade receivables	3'894	26'271	8'844	135	-
Other receivables	297	41'524	20'871	12'297	-
Prepayments	10'412	3'487	7'099	479	-
Short-term loans	-	116'212	379'645	31'108	-
Other financial assets	-	-	2'499	-	-
Trade payables	(12)	(6'647)	(699)	(158)	-
Accrued expenses	(5)	(2'917)	(611)	(15)	(4)
Forward exchange contracts	-	(488)	(6'518)	831	-
Other current liabilities	-	(11'823)	(58'767)	(37'119)	(35'540)
<b>Total</b>	<b>14'822</b>	<b>170'398</b>	<b>359'429</b>	<b>9'058</b>	<b>(35'388)</b>

In thousands of Swiss francs	31 December 2014				
	CHF	EUR	USD	GBP	SGD
Cash and cash equivalents	3'856	15'557	3'204	607	41
Marketable securities	-	9'189	-	-	-
Trade receivables	5'284	25'762	5'061	5	-
Other receivables	294	18'165	(23'446)	(5'659)	(18'859)
Prepayments	14'962	994	6'464	47	-
Short-term loans	-	110'069	266'584	7'071	-
Other financial assets	-	-	1'714	-	-
Trade payables	(2'668)	(1'569)	(449)	(182)	-
Accrued expenses	(1)	(2'418)	(259)	(4)	(5)
Forward exchange contracts	-	280	(8'182)	(118)	-
<b>Total</b>	<b>21'727</b>	<b>176'029</b>	<b>250'691</b>	<b>1'767</b>	<b>(18'823)</b>

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

## Sensitivity analysis

In order to analyze the impact of the currency fluctuations on profit or loss, 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 8.87% (2014: 1.76%), calculating the corresponding effect).

Volatilities	2015	2014
CHF/EUR	8.87%	1.76%
CHF/USD	11.46%	6.30%
CHF/GBP	10.24%	6.18%
CHF/SGD	9.75%	5.80%
EUR/USD	11.34%	5.67%
EUR/GBP	9.59%	5.53%
USD/GBP	8.23%	5.20%
USD/SGD	6.91%	3.62%
	Profit or loss	
Effect in thousands of CHF	2015	2014
CHF/EUR	3'480	161
CHF/USD	(4'339)	(1'037)
CHF/GBP	(32)	815
CHF/SGD	(3'417)	(1'064)
EUR/USD	207	11
EUR/GBP	1'733	1'008
USD/GBP	815	262
USD/SGD	7	3
<b>Total</b>	<b>(1'546)</b>	<b>159</b>

The above sensitivity analysis is based on the local balance sheet positions of the subsidiaries, but taking into account the forward exchange contracts.

## Forward exchange contracts

The net fair value of forward exchange contracts at the balance sheet date amounts to CHF -5.6 million with an outstanding volume of CHF 755.5 million (2014: CHF -8.1 million; volume CHF 436.9 million).

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

## (b) Interest rate risk

The Group's income and operating cash flows are substantially independent from changes in market interest rates. The Group is mainly exposed to cash flow interest rate risk with respect to its cash and cash equivalents held at banks, "short-term loans" (see note 15) as well as "other financial assets" (see note 21). Such cash flows are dependent on changes in short-term market interest rates. Due to the short-term nature and limited sensitivity, the Group does currently not manage its cash flow interest rate risk.

As of the balance sheet date the Group has CHF 95 million in borrowings with banks (2014: no borrowings with banks), and maintains further credit lines with banks (see note 4.3.2).

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

In thousands of Swiss francs	2015	2014
<b>Variable rate instruments</b>		
Financial assets	163'761	282'769
Financial liabilities	(95'000)	-
	<b>68'761</b>	<b>282'769</b>
<b>Fixed rate instruments</b>		
Financial assets	585'025	426'435
	<b>585'025</b>	<b>426'435</b>

## 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	2015	2014
<b>Profit or loss</b>		
50 bp increase	344	1'414
50 bp decrease	(344)	(1'414)



# Notes to the consolidated financial statements

## for the years ended 31 December 2015 and 2014

### (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 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 investment programs managed by the Group.

In assessing the price risk associated with the Group's investments, a volatility ratio was applied to each of its investments classified as "marketable securities" or "other investments". The Group used long-term data (at least 5 years) to determine the volatilities for each asset. 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:

In thousands of Swiss francs	Carrying amount/volatility			
	2015	Volatility	2014	Volatility
Marketable securities (equity securities held for trading)	9'827	23%	9'276	23%
Other investments:				
Private equity	207'554	12%	197'969	12%
Private debt	65'278	7%	35'429	6%
Private real estate	45'176	13%	38'105	13%
Private infrastructure	20'154	8%	14'112	8%
Investments held for sale	84'835	7%	77'328	7%
<b>Total</b>	<b>432'824</b>		<b>372'219</b>	

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

In thousands of Swiss francs	Profit or loss	
	2015	2014
Marketable securities (equity securities held for trading)	2'260	2'133
Other investments:		
Private equity	24'906	23'756
Private debt	4'569	2'126
Private real estate	5'873	4'954
Private infrastructure	1'612	1'129
Investments held for sale	6'012	5'146
<b>Total</b>	<b>45'232</b>	<b>39'244</b>

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

## 4.3.4 Capital management

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

The Group may purchase its own shares on the market within the limits defined by the BoD. The timing of these purchases depends on the market price and restrictions imposed by applicable laws. Primarily, these purchases are used to cover the Group's share and option programs.

Furthermore, the Company has authorized conditional capital of CHF 40'050. The BoD is authorized to increase the share capital by up to 15% at its discretion in consequence of exercising options and granting of shares.

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

The Company and some of its subsidiaries are subject to minimum capital requirements prescribed by external parties (e.g. regulator, banks) and are regulated by relevant authorities in the corresponding countries. The capital requirements may depend on fix costs, expenditures, financial key ratios, net assets and assets under management. All these capital requirements have been met during 2015 and 2014.

## 5. Changes in scope of consolidation

### (a) Incorporation of new Group entities

- On 20 October 2015, the Group incorporated Partners Group Cayman Management III Limited, Cayman Islands. The entity's main purpose is to serve as general partner for Cayman Islands-based investment programs.
- On 25 June 2015, the Group incorporated Partners Group Management XV Limited, Guernsey. The entity's main purpose is to serve as general partner for Europe-based investment programs.
- On 6 May 2015, the Group incorporated Partners Group Management (Scots) II LLP, Scotland. The entity's main purpose is to serve as general partner for Guernsey-based investment programs.
- On 27 March 2015, the Group incorporated Partners Group Cayman Management II Limited, Cayman Islands. The entity's main purpose is to serve as general partner for US-based investment programs.
- On 24 February 2015, the Group incorporated Partners Group Cayman Management I Limited, Cayman Islands. The entity's main purpose is to serve as general partner for US-based investment programs.
- On 4 December 2014, the Group incorporated Partners Group Management (Guernsey) LLP, Guernsey. The entity's main purpose is to serve as general partner for Scottish-based investment vehicles.
- On 13 August 2014, the Group incorporated Partners Group (UK) Management Limited, United Kingdom. The main purpose of the entity is to act as the sponsor and manager of a new collateralized loan obligation investment vehicle.
- On 14 March 2014, the Group incorporated Partners Group (India) Private Limited, India. The entity's main purpose is to support Partners Group's investment activities in the region while additionally increasing proximity to clients in the region.
- On 12 February 2014, the Group incorporated Partners Group Corporate Finance AG, Switzerland. The entity's main purpose is providing services in the field of corporate finance.
- On 13 January 2014, the Group incorporated Partners Group (Shanghai) Co., Ltd., China. The entity's main purpose is to support Partners Group's investment activities in the region while additionally increasing proximity to clients in the region.

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

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

## (b) Acquisition of subsidiary

In 2000 and 2006, the Group, through its fully consolidated subsidiary Pearl Management Limited, Guernsey ("PML"), entered into insurance agreements with a subsidiary of Swiss Re, a Swiss-based reinsurer, and the investment program of Pearl, to insure the repayment of the redemption amount (EUR 712.8 million) of a convertible bond issued by Pearl.

PML only acted as policyholder and paid certain amounts into an experience account (see note 14), which served as first-level-coverage in case of a default of Pearl. The Group's exposure depended on the development of the value of the portfolio of Pearl, and thus was classified as a derivative financial instrument, which was presented in non-current liabilities as "derivatives arising from insurance contract" until 30 September 2014. The Group's exposure was limited to the fair value of the assets held 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 2013 and due to the maturity of the insurance contract on 30 September 2014, the carrying value of the "derivatives arising from insurance contract" was reduced to CHF 0 as of that date.

## Derivatives arising from insurance contract

In thousands of Swiss francs	2015	2014
Balance as of 1 January	-	50'493
Change in fair value	-	(50'047)
Effect of movements in exchange rates	-	(446)
<b>Balance as of 31 December</b>	<b>-</b>	<b>-</b>

## Settlement expenses

In addition to the transactions described above and in order to settle the insurance contract, PML was obligated to pay EUR 3.7 million to a retrocessionaire when the experience account was released.

As a summary, Pearl's insurance contract had the following total effect on profit or loss in 2014:

In thousands of Swiss francs	2015	2014
Change in fair value of derivatives arising from insurance contract	-	50'047
Settlement expenses	-	(4'407)
<b>Change in fair value of derivatives arising from insurance contract and settlement expenses, net</b>	<b>-</b>	<b>45'640</b>

## Maturity of Pearl convertible bonds

Bondholders of Pearl had the option to redeem their bonds at 108% of nominal value or convert them into shares in Pearl. 34.6% of bonds were converted into Pearl shares as of 30 September 2014. The remaining bonds were redeemed at 108% on 30 September 2014. In connection with the conversion of Pearl bonds into shares, Swiss Re provided a loan (EUR 70 million) to Pearl Access Limited, Guernsey ("PAL"), a Guernsey-based company whose shares were held by an orphan-trust (i.e. a trust without any beneficiary) under Guernsey law, in order to finance the purchase of certain Pearl bonds. The purpose of the Swiss Re loan to PAL was restricted to the purchase of Pearl bonds and subsequent conversion into Pearl shares and contained various restrictions and conditions in favor of Swiss Re.

In the first quarter of 2015, and after the relevant conditions under the insurance contract with a subsidiary of Swiss Re were satisfied, the assets held in the experience account were released to PML. At the same time, these assets were assigned to PAL. As a result, PAL was able to repay the outstanding loan provided by Swiss Re and subsequently, after fulfilling all conditions towards Swiss Re, any related security interests were released. On 4 March 2015, PML became the legal owner of the orphan-trust. As a consequence, and through its beneficiary rights, PML controlled 100% of PAL's shares and therewith PAL's 28% holding in Pearl's shares and therefore the Group has significant influence over Pearl. As a result, Pearl is presented as an "investment in associates" in the balance sheet.

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

The net assets of PAL acquired by the Group as of 4 March 2015 were as follows:

In thousands of Swiss francs	Fair value
Cash and cash equivalents	201
Investments in associates (Pearl)	119'872
Other current liabilities	(4)
Borrowings	(851)
<b>Net assets acquired at fair value</b>	<b>119'218</b>
Gain on a bargain purchase	(45'349)
<b>Total purchase consideration</b>	<b>73'869</b>
Cash acquired	(201)
<b>Net cash outflow on acquisition</b>	<b>73'668</b>

The gain on a bargain purchase is mainly a reflection of the difference between the redemption price of 108% per convertible bond and the net asset value per convertible bond at final maturity redeeming bondholders gave up, as well as the positive performance of the underlying portfolio of Pearl since the final maturity of Pearl's bonds. The gain on a bargain purchase is included in "net finance income and expense" (see note 10).

## Investment in associates: Pearl Holding Limited

Pearl's investments are managed on a discretionary basis by PML, which is advised by Partners Group AG, Switzerland ("PGAG"), in accordance with an investment advisory agreement. PGAG's duties are to provide asset allocation, commercial due diligence reviews, investment and divestment proposals and performance monitoring. For the described services, the Group is entitled to receive administration, management and performance fees.

## Share of results of associates

The share of results of associates resulting from Pearl is disclosed in the profit or loss as "net finance income and expense" (see notes 10 and 19), while the share of results of associates resulting from LGT Private Equity Advisers, Liechtenstein ("LGT", see note 19), is disclosed as "share of results of associates". The Group assesses LGT's results as comparable to management services and as a consequence discloses it as operating income. Pearl's results are mainly driven by distributions and changes in fair value of the underlying investments, comparable to changes in fair value of other investments (see note 20), which are presented as "net finance income and expense" (see note 10).

During 2014, the Group did not acquire any subsidiaries.

## (c) Restructurings

On 30 November 2015, PAL was absorbed by PML.

No restructurings took place in 2014.

## (d) Divestments of subsidiaries

In 2015, the Group did not divest any subsidiaries.

On 5 September 2014, Partners Private Markets Management Limited, Guernsey, was liquidated. The transaction did not result in any material impact on the Group's financial statements.

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

## 6. Segment information

The BoD has been identified as the chief operating decision-maker. 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 assesses the business from a business line perspective. This results in an identification of the following operating segments:

- Private equity
- Private debt
- Private real estate
- Private infrastructure

In these operating segments, the Group services its clientele with investment 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 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. The 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. The 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 take-overs.

### 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. The Group covers the full range of equity and debt investment opportunities offered by real estate assets.

### Private infrastructure

Private infrastructure refers to investments made in private – i.e. not publicly traded – infrastructure assets. Private infrastructure comprises of investments in assets within different infrastructure sectors, such as transportation, communication, power conventional, power renewable, energy infrastructure, water, social infrastructure and waste management. Private infrastructure investments are generally characterized by long-term visibility and stability of cash flows underpinned by assets with either regulated revenues or long-term contracts with creditworthy counterparties. The Group covers the full range of equity and junior debt investment opportunities offered by the private infrastructure asset class.

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

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.

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, the gross results per operating segment do not include the allocation of expenses which are not directly attributable, such as overhead and general operating expenses etc. All not directly attributable elements of profit or loss are summarized in the unallocated column.

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

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

In thousands of Swiss francs	Operating segments				2015	
	Private equity	Private debt	Private real estate	Private infrastructure	Unallocated	Total
Revenues from management services	470'992	73'948	111'108	53'690	1'298	711'036
Revenue deductions	(70'020)	(11'346)	(17'315)	(10'484)	-	(109'165)
<b>Revenues from management services, net</b>	<b>400'972</b>	<b>62'602</b>	<b>93'793</b>	<b>43'206</b>	<b>1'298</b>	<b>601'871</b>
Other operating income	5'530	1'642	4'947	869	3'719	16'707
Share of results of associates	21	-	-	-	-	21
<b>Total</b>	<b>406'523</b>	<b>64'244</b>	<b>98'740</b>	<b>44'075</b>	<b>5'017</b>	<b>618'599</b>
Third party services	(781)	(19)	(259)	(53)	(6'082)	(7'194)
Personnel expenses	(37'499)	(10'302)	(14'634)	(11'149)	(128'219)	(201'803)
General and administrative expenses	(49)	(12)	(24)	(32)	(27'871)	(27'988)
Travel and representation expenses	(1'829)	(462)	(759)	(690)	(10'436)	(14'176)
<b>EBITDA</b>	<b>366'365</b>	<b>53'449</b>	<b>83'064</b>	<b>32'151</b>	<b>(167'591)</b>	<b>367'438</b>
Depreciation and amortization	-	-	-	-	(10'607)	(10'607)
<b>Gross segment result</b>	<b>366'365</b>	<b>53'449</b>	<b>83'064</b>	<b>32'151</b>	<b>(178'198)</b>	<b>356'831</b>
<i>Reconciliation to profit for the period:</i>						
Net finance income and expense						81'042
Income tax expense						(41'943)
<b>Profit for the period</b>						<b>395'930</b>

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

In thousands of Swiss francs	Operating segments				2014	
	Private equity	Private debt	Private real estate	Private infrastructure	Unallocated	Total
Revenues from management services	413'629	67'163	114'196	44'337	2'036	641'361
Revenue deductions	(54'047)	(9'437)	(19'125)	(4'293)	-	(86'902)
Private equity insurance premiums	12'950	-	-	-	-	12'950
Insurance fees, where the Group acts as policyholder only	(12'950)	-	-	-	-	(12'950)
<b>Revenues from management services, net</b>	<b>359'582</b>	<b>57'726</b>	<b>95'071</b>	<b>40'044</b>	<b>2'036</b>	<b>554'459</b>
Other operating income	13'314	1'416	3'651	753	658	19'792
Share of results of associates	193	-	-	-	-	193
<b>Total</b>	<b>373'089</b>	<b>59'142</b>	<b>98'722</b>	<b>40'797</b>	<b>2'694</b>	<b>574'444</b>
Third party services	(782)	(131)	(278)	(62)	(5'664)	(6'917)
Personnel expenses	(38'646)	(8'431)	(14'014)	(8'278)	(114'571)	(183'940)
General and administrative expenses	(8)	(8)	(49)	(6)	(24'302)	(24'373)
Travel and representation expenses	(1'509)	(363)	(745)	(491)	(8'951)	(12'059)
<b>EBITDA</b>	<b>332'144</b>	<b>50'209</b>	<b>83'636</b>	<b>31'960</b>	<b>(150'794)</b>	<b>347'155</b>
Depreciation and amortization	-	-	-	-	(16'473)	(16'473)
<b>Gross segment result</b>	<b>332'144</b>	<b>50'209</b>	<b>83'636</b>	<b>31'960</b>	<b>(167'267)</b>	<b>330'682</b>
<i>Reconciliation to profit for the period:</i>						
Change in fair value of derivatives arising from insurance contract and settlement expenses, net						45'640
Net finance income and expense						36'734
Income tax expense						(37'835)
<b>Profit for the period</b>						<b>375'221</b>

As the Group pursues a fully integrated investment approach, most professionals are engaged in assignments across several operating segments within the private markets asset classes. Thus, only the personnel expenses of those professionals entirely dedicated to a single operating segment have been allocated to the respecting 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 as well as travel and representation expenses. Depreciation and amortization are not allocated to the operating segments.



# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

## Geographical information

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

In thousands of Swiss francs	Net revenues	
	2015	2014
Switzerland	258'526	274'663
Guernsey	135'367	133'328
North America	87'739	54'893
Other European countries	62'567	53'300
Rest of world	57'672	38'275
<b>Total revenues from management services, net</b>	<b>601'871</b>	<b>554'459</b>

In 2015 and 2014, no client of the Group contributed more than 10% to the Group's revenues from management services.

## 7. Other operating income

In thousands of Swiss francs	2015	2014
Interest income on short-term loans	15'336	16'661
True-up interest income	1'371	2'473
Other income	-	658
<b>Total other operating income</b>	<b>16'707</b>	<b>19'792</b>

True-up interest income relates to interest earned on management services and organizational fees due from investors that commit into investment structures after the first closing of the investment structure.

Other income in 2014 resulted from earn-out payments due to disposals of Partners Group Fund Services Limited, Guernsey, in 2010 and Asset Management Partners AG, Baar, Switzerland, in 2013.

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

## 8. Third party services

In thousands of Swiss francs	2015	2014
Consulting and legal fees	(4'341)	(3'998)
Board of Directors compensation (non-executive)	(865)	(750)
Sundry third party service expenses	(1'988)	(2'169)
<b>Total third party services</b>	<b>(7'194)</b>	<b>(6'917)</b>

## 9. Personnel expenses

In thousands of Swiss francs	2015	2014
Wages and salaries	(136'629)	(126'070)
Share-based payment expenses	(25'388)	(28'078)
Other long-term benefits	(10'403)	(5'750)
Retirement schemes - defined contribution plans	(8'054)	(7'296)
Retirement schemes - defined benefit plans	(2'777)	(2'177)
Other social security expenses	(10'053)	(7'822)
Sundry personnel expenses	(8'499)	(6'747)
<b>Total personnel expenses</b>	<b>(201'803)</b>	<b>(183'940)</b>

### Share-based payment expenses

Though the general philosophy behind the Group's remuneration policy has remained unchanged over the years (see note 26), the Group nonetheless undertakes periodic reviews of the compensation structure and makes adjustments as necessary to ensure the interests of employees, clients, shareholders and other stakeholders remain best aligned. One such review was undertaken in 2014, with the result of adjusting the vesting condition of the grants in 2014. The Group moved from cliff vesting at two- or five-year periods to a linear vesting model with proportionate annual vesting every year over a three- or five-year period following the awards (depending on the rank of the employee) and contingent on the employee remaining with the Group during the service period.

With the linear vesting model, the distribution of the share-based payment expenses over the service periods changed, and typically results in higher expenses in the first years (front-end-loading) and lower expenses in later years. However the overall expenses remain unchanged.

Also in 2014, the Group decided to modify the share-based payment awards granted in 2012 and 2013 to move from the previous cliff vesting (at two- or five year periods) to a linear vesting model with proportionate annual vesting every year over a five-year period following the awards and contingent on the employee remaining with the Group during the service period. The program modifications in 2014 of the awards granted in 2012 and 2013 resulted in a different distribution of the share-based payment expenses (front-end-loading), including one-off catch-up expenses in 2014. The one-off impact of the modifications of the vesting conditions of the awards granted in 2012 and 2013 of CHF 6.9 million was recognized as "personnel expenses" (share-based payment expenses) in the financial statements as of 31 December 2014 and was calculated in accordance with IFRS 2.

# Notes to the consolidated financial statements

## for the years ended 31 December 2015 and 2014

The Group recognizes the following expenses for grants in 2015, as well as in previous periods, and expenses for shares granted to employees at the start of their employment:

In thousands of Swiss francs	2015	2014
Grants 2009 (options and non-vested shares)	-	(1'618)
Grants 2010 (options and non-vested shares)	(1'570)	(1'697)
Grants 2011 (options and non-vested shares)	(996)	(1'181)
Grants 2012 (options and non-vested shares)	(2'007)	(6'020)
Grants 2013 (options and non-vested shares)	(4'166)	(7'801)
Grants 2014 (options and non-vested shares)	(7'681)	(8'846)
Grants 2015 (options and non-vested shares)	(7'804)	-
Share grants at start of employment	(1'164)	(915)
<b>Total share-based payment expenses</b>	<b>(25'388)</b>	<b>(28'078)</b>

The average number of employees in 2015 was 794 (2014: 723), which is equivalent to 780 full-time employees (2014: 711).

## 10. Net finance income and expense

In thousands of Swiss francs	2015	2014
Interest income	120	677
Net gains on:		
Held for trading instruments	1'435	2'960
Fair value through profit or loss instruments, designated	32'070	39'779
Fair value of instruments held for sale	5'425	2'352
Share of results of associates (Pearl)	6'288	-
Gain on a bargain purchase	45'349	-
<b>Total finance income</b>	<b>90'687</b>	<b>45'768</b>
Interest expense	(263)	(1'289)
Net foreign exchange losses	(7'918)	(6'959)
Other finance expense	(1'464)	(786)
<b>Total finance expense</b>	<b>(9'645)</b>	<b>(9'034)</b>
<b>Total net finance income and (expense)</b>	<b>81'042</b>	<b>36'734</b>

The gain on a bargain purchase is mainly a reflection of the difference between the redemption price of 108% per convertible bond and the net asset value per convertible bond at final maturity redeeming bondholders gave up, as well as the positive performance of the underlying portfolio of Pearl since the final maturity of Pearl's bonds. For further information relating to "share of results in associates" refer to notes 5(b) and 19.

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

## 11. Income tax expense

### Recognized in profit or loss

In thousands of Swiss francs	2015	2014
<i>Current tax expense:</i>		
Current year	40'984	39'165
Under/(over) provided in prior years	(5'065)	2'216
<b>Total current tax expense</b>	<b>35'919</b>	<b>41'381</b>
<i>Deferred tax expense/(income):</i>		
Deferred tax expense/(income), net relating to the origination and reversal of temporary differences	6'024	(3'546)
<b>Total deferred tax expense/(income)</b>	<b>6'024</b>	<b>(3'546)</b>
<b>Total income tax expense</b>	<b>41'943</b>	<b>37'835</b>

### Weighted average expected tax rate reconciliation

In thousands of Swiss francs	2015	2014
<b>Profit before tax</b>	<b>437'873</b>	<b>413'056</b>
Weighted average expected Group tax rate	11.06%	8.44%
Expected tax expense	48'443	34'849
Non-tax-deductible expense and non-taxable income	(1'165)	306
Applicable tax rates differing from expected rate	(291)	-
Utilization of unrecognized tax loss carry-forwards	-	(19)
Under/(over) provided in prior years	(5'065)	2'216
Other impacts	21	483
<b>Total income tax expense</b>	<b>41'943</b>	<b>37'835</b>

The Group calculates a weighted average tax rate, taking into account official tax rates of the Company and its subsidiaries in their specific jurisdictions, 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 22.

Compared to the prior period, the Group's business in jurisdictions with higher tax rates grew more than the overall business did.

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

## 12. Cash and cash equivalents

In thousands of Swiss francs	31 December 2015	31 December 2014
Bank balances	163'761	199'250
Petty cash	15	10
<b>Total cash and cash equivalents</b>	<b>163'776</b>	<b>199'260</b>

For further details on the increase or decrease in "cash and cash equivalents", please refer to the consolidated cash flow statement.

## 13. Marketable securities

In thousands of Swiss francs	31 December 2015	31 December 2014
Equity securities held for trading	9'827	9'276
Debt securities	1'734	1'974
<b>Total marketable securities</b>	<b>11'561</b>	<b>11'250</b>

## 14. Trade and other receivables, prepayments, derivative assets and other current assets

In thousands of Swiss francs	31 December 2015	31 December 2014
Trade receivables	64'841	50'631
Other receivables	17'512	1'438
Prepayments	33'143	29'755
Derivative assets held for risk management	1'708	399
<i>Other current assets (assets held in experience account):</i>		
Restricted cash and cash equivalents (held in EUR)	-	83'509
<b>Total</b>	<b>117'204</b>	<b>165'732</b>

The increase in other receivables is mainly due to income tax receivables.

No material allowances were recognized during or at the end of the current and the prior year. As of the reporting date, no material receivables are overdue. The Group reviews its counterparty risk in trade receivables on a regular basis. As of the balance sheet date, the Group can collect the majority of the trade receivables based on discretionary management agreements; the minority of the receivable is invoiced to clients who are primarily major institutional clients.

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

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

	2015	2014
Effective interest rate of restricted cash and cash equivalents	n/a	0.26%

In the first quarter of 2015, the assets held in the experience account were released to PML (see note 5(b)).

## 15. Short-term loans

The short-term loans of CHF 581.1 million (2014: CHF 421.8 million) relate to loans granted to various investment programs managed by the Group and which typically have an expected repayment date within the next twelve months. Interest on these loans is calculated at a spread above the applicable LIBOR interest rate.

## 16. Assets and liabilities held for sale

The Group seed finances certain early stage investment programs. The decision to seed finance an investment program is taken by responsible bodies defined in the Group's ROO. Assets and liabilities of six (2014: three) investment programs are classified and presented as assets and liabilities held for sale.

The assets and liabilities held for sale as of 31 December 2015 comprise private equity, private infrastructure, private real estate as well as private debt investments:

In thousands of Swiss francs	31 December 2015	31 December 2014
Assets held for sale	90'017	78'863
Liabilities held for sale	(5'182)	(1'535)
<b>Investments held for sale, net</b>	<b>84'835</b>	<b>77'328</b>

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

## 17. Property and equipment

In thousands of Swiss francs					2015
	Buildings	Office furniture	Interior fittings	Equipment and IT fittings	Total
<b>Cost</b>					
Balance as of 1 January 2015	5'897	10'031	18'822	15'304	50'054
Additions	-	539	437	1'477	2'453
Removals	-	(2'559)	(1'078)	(3'255)	(6'892)
Effect of movements in exchange rates	-	(303)	(289)	(391)	(983)
<b>Balance as of 31 December 2015</b>	<b>5'897</b>	<b>7'708</b>	<b>17'892</b>	<b>13'135</b>	<b>44'632</b>
<b>Accumulated depreciation</b>					
Balance as of 1 January 2015	377	6'952	11'174	12'816	31'319
Additions	468	1'373	1'731	1'696	5'268
Removals	-	(2'559)	(1'078)	(3'255)	(6'892)
Effect of movements in exchange rates	-	(163)	(143)	(279)	(585)
<b>Balance as of 31 December 2015</b>	<b>845</b>	<b>5'603</b>	<b>11'684</b>	<b>10'978</b>	<b>29'110</b>
<b>Carrying amount</b>					
As of 1 January 2015	5'520	3'079	7'648	2'488	18'735
<b>As of 31 December 2015</b>	<b>5'052</b>	<b>2'105</b>	<b>6'208</b>	<b>2'157</b>	<b>15'522</b>
Impairment losses incurred in 2015					nil



# Notes to the consolidated financial statements

## for the years ended 31 December 2015 and 2014

In thousands of Swiss francs					2014
	Buildings	Office furniture	Interior fittings	Equipment and IT fittings	Total
<b>Cost</b>					
Balance as of 1 January 2014	5'897	11'154	18'095	16'671	51'817
Additions	-	613	642	1'207	2'462
Removals	-	(2'135)	(247)	(2'995)	(5'377)
Effect of movements in exchange rates	-	399	332	421	1'152
<b>Balance as of 31 December 2014</b>	<b>5'897</b>	<b>10'031</b>	<b>18'822</b>	<b>15'304</b>	<b>50'054</b>
<b>Accumulated depreciation</b>					
Balance as of 1 January 2014	180	7'475	9'587	13'291	30'533
Additions	197	1'357	1'618	2'141	5'313
Removals	-	(2'135)	(247)	(2'955)	(5'337)
Effect of movements in exchange rates	-	255	216	339	810
<b>Balance as of 31 December 2014</b>	<b>377</b>	<b>6'952</b>	<b>11'174</b>	<b>12'816</b>	<b>31'319</b>
<b>Carrying amount</b>					
As of 1 January 2014	5'717	3'679	8'508	3'380	21'284
<b>As of 31 December 2014</b>	<b>5'520</b>	<b>3'079</b>	<b>7'648</b>	<b>2'488</b>	<b>18'735</b>
Impairment losses incurred in 2014					nil

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

## 18. Intangible assets

In thousands of Swiss francs						2015
	Client contracts	Goodwill	Software	Placing expenses	Other intangible assets	Total
<b>Cost</b>						
Balance as of 1 January 2015	5'862	37'348	8'500	8'195	4'750	64'655
Additions	-	-	1'870	2'383	1'313	5'566
Removals	-	-	(21)	(583)	-	(604)
Effect of movements in exchange rates	(474)	(1'762)	(1)	(168)	-	(2'405)
<b>Balance as of 31 December 2015</b>	<b>5'388</b>	<b>35'586</b>	<b>10'348</b>	<b>9'827</b>	<b>6'063</b>	<b>67'212</b>
<b>Accumulated amortization and impairment losses</b>						
Balance as of 1 January 2015	2'354	-	6'853	3'713	3'263	16'183
Additions	890	-	1'308	1'994	1'147	5'339
Removals	-	-	(21)	(583)	-	(604)
Effect of movements in exchange rates	(122)	-	4	(36)	-	(154)
<b>Balance as of 31 December 2015</b>	<b>3'122</b>	<b>-</b>	<b>8'144</b>	<b>5'088</b>	<b>4'410</b>	<b>20'764</b>
<b>Carrying amount</b>						
As of 1 January 2015	3'508	37'348	1'647	4'482	1'487	48'472
<b>As of 31 December 2015</b>	<b>2'266</b>	<b>35'586</b>	<b>2'204</b>	<b>4'739</b>	<b>1'653</b>	<b>46'448</b>
Impairment losses incurred in 2015						nil

# Notes to the consolidated financial statements

## for the years ended 31 December 2015 and 2014

In thousands of Swiss francs							2014
	Cost of initial put option	Client contracts	Goodwill	Software	Placing expenses	Other intangible assets	Total
<b>Cost</b>							
Balance as of 1 January 2014	34'865	6'784	37'397	11'290	12'499	4'750	107'585
Additions	-	-	-	948	4'384	-	5'332
Removals	(34'557)	(908)	(1'523)	(3'793)	(9'050)	-	(49'831)
Effect of movements in exchange rates	(308)	(14)	1'474	55	362	-	1'569
<b>Balance as of 31 December 2014</b>	<b>-</b>	<b>5'862</b>	<b>37'348</b>	<b>8'500</b>	<b>8'195</b>	<b>4'750</b>	<b>64'655</b>
<b>Accumulated amortization and impairment losses</b>							
Balance as of 1 January 2014	28'328	2'188	1'537	9'316	11'221	2'313	54'903
Additions	6'479	1'012	-	1'287	1'432	950	11'160
Removals	(34'557)	(908)	(1'523)	(3'793)	(9'050)	-	(49'831)
Effect of movements in exchange rates	(250)	62	(14)	43	110	-	(49)
<b>Balance as of 31 December 2014</b>	<b>-</b>	<b>2'354</b>	<b>-</b>	<b>6'853</b>	<b>3'713</b>	<b>3'263</b>	<b>16'183</b>
<b>Carrying amount</b>							
As of 1 January 2014	6'537	4'596	35'860	1'974	1'278	2'437	52'682
<b>As of 31 December 2014</b>	<b>-</b>	<b>3'508</b>	<b>37'348</b>	<b>1'647</b>	<b>4'482</b>	<b>1'487</b>	<b>48'472</b>
Impairment losses incurred in 2014							nil

### Cost of initial put option

In 2006 the Group entered into an agreement with Swiss Re with regard to the extension of the term of the convertible bond issued by 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 additional committed amount of EUR 28.5 million has been fully amortized using the straight-line method over the extension period from 1 October 2010 to 30 September 2014 (for further information refer to note 5(b)).

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

## Goodwill

No goodwill was added in 2015 and 2014.

Of the carrying amount as of 31 December 2015 (CHF 35.6 million; 2014: CHF 37.3 million), CHF 17.8 million (2014: CHF 19.6 million) is allocated to the private equity segment and CHF 17.8 million (2014: CHF 17.7 million) to the private real estate segment.

## Impairment testing for CGUs containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's CGU, 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 CGUs:

- Goodwill relating to the acquisition of Partners Group Real Estate LLC ("PG RE") in 2007, which was merged into Partners Group (USA) Inc. as of 1 January 2012, has been allocated to the private real estate segment.
- Goodwill relating to the acquisition of Partners Group (Italy) SGR S.p.A. in 2013 has been allocated to the private equity segment.

The recoverable amounts of the private real estate and the private equity segments were based on their value in use. The carrying amounts of the units were determined to be lower than the recoverable amounts and thus no impairment of goodwill was recognized in 2015 and 2014. The value in use was determined by discounting the future cash flows generated from the continuing use of the CGUs and was based on the following key assumptions:

Cash flows were projected based on the actual operating results and a five-year estimate (2016–2020). 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 for the terminal value.

Revenues were projected based on the development of the existing business, taking into account the generation of additional business in the years 2016 to 2020.

General expense growth, as well as third party service growth, was considered at a constant rate of 10% p.a. (2014: 10% p.a.).

Personnel expense growth was considered at a constant rate of 5% p.a. (2014: 5% p.a.) plus additional personnel expenses for additional business revenues (i.e. 35% of additional revenues are expensed as additional personnel & general expenses (2014: 35%)).

Pre-tax discount rates of 6.8% [PG RE] (2014: 7.8%), respectively 6.0% [PG Italy] (2014: 8.5%), were applied in determining the recoverable amounts of the CGU's. The Group applied market interest rates of 2.2% [PG RE] (2014: 2.2%) and 1.4% [PG Italy] (2014: 2.0%), adjusted by market risk premiums and industry weighted average beta factors.

Management believes that any reasonable possible change in any of the key assumptions would not cause the carrying value of goodwill of the CGU to exceed the recoverable amounts.

## Placing expenses

The Group selectively uses third party placing agents for the distribution of the investment programs the Group manages (usually limited partnership structures). It is common to compensate such services with a one-off payment, depending on the amount of assets placed by such third party providers. The amount paid is recognized as incremental cost incurred in connection with the securing of investment management revenues. Placing expenses are amortized using the straight-line method over the duration of the investment period of the relevant investment program the cost was incurred for, usually between three to five years (see note 2.16).

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

## 19. Investments in associates

The Group accounts for investments in associates as of 31 December 2015 as summarized below:

In thousands of Swiss francs	Principal activity	Fair value	Carrying value	Ownership
Pearl Holding Limited, Guernsey	Private equity investment	128'970	128'970	28%
LGT Private Equity Advisers, Liechtenstein	Asset management	470	470	40%
<b>Total investments in associates</b>			<b>129'440</b>	

In thousands of Swiss francs	2015	2014
Balance as of 1 January	449	4'323
Purchase of investments in associates	119'872	-
Dividends received from investments in associates (LGT)	-	(4'066)
Other movements	-	(1)
Share of results (Pearl)	6'288	-
Share of results (LGT)	21	193
Effect of movements in exchange rates	2'810	-
<b>Balance as of end of period</b>	<b>129'440</b>	<b>449</b>

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

In thousands of Swiss francs	Pearl Holding Limited		LGT Private Equity Advisers	
	2015	2014	2015	2014
Total assets	525'200	n/a	9'484	14'612
Total liabilities	67'387	n/a	8'308	13'489
Equity	457'813	n/a	1'176	1'123
Revenues	40'223	n/a	11'719	17'791
Profit/(loss)	46'491	n/a	52	483

The financial information is based on unaudited financial information as of the reporting date as received from LGT Private Equity Advisers and Pearl Holding Limited. For further information relating to Pearl Holding Limited refer to note 5(b).

# Notes to the consolidated financial statements

## for the years ended 31 December 2015 and 2014

### 20. Other investments

The Group holds investments in various investment programs that it manages. These investments typically account for a stake of one percent in an investment program. Within the investment programs, the Group typically performs investment management activities for 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 disclosed as “revenues from management services, net”. The investment programs are financed by the investors. Typically, the Group acts as the investment manager and with regard to the investment programs, the Group acts as an agent on behalf of the investors in the investment programs and therefore does 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 2.17).

In thousands of Swiss francs	2015	2014
Balance as of 1 January	285'615	235'112
Additions	85'493	49'697
Disposals	(50'333)	(46'950)
Change in fair value of investments held at period end	32'179	39'736
Change in fair value of investments disposed/liquidated during the period	(109)	43
Effect of movements in exchange rates	(14'683)	7'977
<b>Balance as of 31 December</b>	<b>338'162</b>	<b>285'615</b>

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	31 December 2015	31 December 2014
Private equity	207'554	197'969
Private debt	65'278	35'429
Private real estate	45'176	38'105
Private infrastructure	20'154	14'112
<b>Total other investments</b>	<b>338'162</b>	<b>285'615</b>

### 21. Other financial assets

In thousands of Swiss francs	31 December 2015	31 December 2014
Loans to related parties	3'406	2'852
Sundry other financial assets	511	1'823
<b>Total other financial assets</b>	<b>3'917</b>	<b>4'675</b>

The loans to related parties of the Group bear interest at market related interest rates.

# Notes to the consolidated financial statements

## for the years ended 31 December 2015 and 2014

### 22. Deferred tax assets and liabilities

#### Development of deferred tax assets and liabilities

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following table shows the development of deferred income tax assets and deferred income tax liabilities.

In thousands of Swiss francs	31 December 2015	31 December 2014
Deferred tax assets	3'809	10'141
Deferred tax liabilities	(5'690)	(6'601)
<b>Deferred tax assets / (liabilities), net</b>	<b>(1'881)</b>	<b>3'540</b>

In thousands of Swiss francs	2015	2014
<b>Balance as of 1 January, net</b>	<b>3'540</b>	<b>(1'250)</b>
Changes recognized in profit or loss	(6'024)	3'546
Changes recognized in other comprehensive income	651	277
Effect of movements in exchange rates	(48)	967
<b>Balance of deferred tax assets / (liabilities) as of 31 December, net</b>	<b>(1'881)</b>	<b>3'540</b>

#### Analysis of deferred tax balances

The following table shows the gross amounts of deferred tax assets and liabilities before being offset within the same taxable entities. Movements in the significant assets and liabilities classes giving rise to temporary differences are analyzed below:

In thousands of Swiss francs	2015					
	Other non-current assets	Other investments	Employee benefits (IAS 19)	Employee benefits (IFRS 2)	Others	Total
<b>Balance as of 1 January 2015, net</b>	<b>(4'634)</b>	<b>4'505</b>	<b>(334)</b>	<b>3'355</b>	<b>648</b>	<b>3'540</b>
Changes recognized in profit or loss	596	(8'168)	(67)	1'390	225	(6'024)
Changes recognized in other comprehensive income	-	-	651	-	-	651
Effect of movement in exchange rates	103	(120)	-	(31)	-	(48)
<b>Balance as of 31 December 2015, net</b>	<b>(3'935)</b>	<b>(3'783)</b>	<b>250</b>	<b>4'714</b>	<b>873</b>	<b>(1'881)</b>



# Notes to the consolidated financial statements

## for the years ended 31 December 2015 and 2014

In thousands of Swiss francs						2014
	Other non-current assets	Other investments	Employee benefits (IAS 19)	Employee benefits (IFRS 2)	Others	Total
<b>Balance as of 1 January 2014, net</b>	<b>(4'707)</b>	<b>375</b>	<b>(671)</b>	<b>3'204</b>	<b>549</b>	<b>(1'250)</b>
Changes recognized in profit or loss	427	3'590	60	(574)	43	3'546
Changes recognized in other comprehensive income	-	-	277	-	-	277
Effect of movement in exchange rates	(354)	540	-	725	56	967
<b>Balance as of 31 December 2014, net</b>	<b>(4'634)</b>	<b>4'505</b>	<b>(334)</b>	<b>3'355</b>	<b>648</b>	<b>3'540</b>

### Other 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 and their carrying amounts (fair values with regard to the application of IAS 39) in the consolidated financial statements.

### Employee benefits (IAS 19)

The Group recognizes deferred tax assets or liabilities out of the application of IAS 19 (for further information refer to note 26(a)).

### Employee benefits (IFRS 2)

Taxable temporary differences arise (in accordance with IAS 12.68A) from the recognition of share-based payment expenses (see notes 9 and 26(b)) in the applicable accounting period in accordance with IFRS 2, 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, typically with the measurement of the tax deduction based on the share price at the date of exercise or vesting.

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

## 23. Accrued expenses

In thousands of Swiss francs	31 December 2015	31 December 2014
Bonus accruals	50'172	48'757
Accrued social security expenses	7'881	6'577
Accrued third party services	268	1'422
Accrued invoices	2'945	840
Derivative liabilities held for risk management	7'303	8'478
Accrued revenue deductions	6'399	10'246
Sundry accrued expenses	7'048	5'487
<b>Total accrued expenses</b>	<b>82'016</b>	<b>81'807</b>

## 24. Other current liabilities

In thousands of Swiss francs	31 December 2015	31 December 2014
Social security expenses and other taxes	4'016	5'107
Sundry other current liabilities	192	68
<b>Total other current liabilities</b>	<b>4'208</b>	<b>5'175</b>

## 25. Borrowings

As of the balance sheet date, the Group has CHF 95 million in borrowings (2014: nil) from lines of credits with banks outstanding (see note 4.3.2). Borrowings are drawn in CHF and are due on 12 January 2016 by the latest. For information regarding the Group's exposure to interest rate risk refer to note 4.3.3 (b).

# Notes to the consolidated financial statements

## for the years ended 31 December 2015 and 2014

### 26. Employee benefits

#### (a) Pension obligations

##### Defined benefit plan

The Group's defined benefit plan is the pension plan for its Swiss employees ("the pension fund"). The pension fund provides benefits for retirement, disability and surviving dependents that meet or exceed the minimum benefits required under Federal Law on Occupational Retirement, Survivors' and Disability Insurance ("BVG"), including the legal coordination charge, which is also insured. The monthly premium to fund the pension fund's benefits is split equally between employer and employees. Contributions, which vary by the age of the employees from 6-13% of the covered salary, are credited to the individual retirement savings accounts. The pension fund is responsible for capital investments and pursues an investment strategy with a prescribed investment policy. The Group assumes an average retirement age of 62 (female) and 63 (male), respectively. Upon retiring (including early and partial retirement), insured persons are entitled to a lifelong retirement pension, if employees do not choose to take their entire pension or part thereof in the form of a capital payment.

The pension fund is administered by Gemini Sammelstiftung, Zurich/Switzerland, which is legally separated from the Group and is governed by a foundation board ("the foundation board"). The pension fund commission comprises two employee and two employer representatives. The duties of the foundation board, as well as the pension fund commission, are laid down in the BVG and the specific pension fund rules. They are required by law to act in the best interest of the participants and are responsible for setting certain policies (e.g. investment, contribution and indexation policies) for the pension fund. At least four times a year, the foundation board as well as the pension fund commission meet and analyze consequences and decide on adjustments in the investment strategy. The strategic investment policy of the pension fund can be summarized as follows:

Asset Class	1 January 2015	1 January 2014
Cash	0%	0%
Public debt	25%	25%
Public equity	25%	25%
Private markets	35%	35%
Alternatives/other	15%	15%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Pursuant to the BVG, additional employer and employee contributions may be imposed whenever a significant funding deficit in accordance with BVG arises. The Group feels comfortable with its investment strategy and does not expect a negative impact on funding arrangements or future contributions due to its investments and investment strategy. In addition to this investment risk, the pension fund is exposed to actuarial risk as well as longevity risk, currency risk and interest rate risk.

##### Management pension plan

In addition to the pension plan for its Swiss employees, a defined benefit plan for Swiss management also provides retirement benefits and risk insurance for death and disability for components of remuneration in excess of the maximum insurable amount of salary under the plan described in previous paragraphs.

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

## Development of defined benefit obligations and assets

In thousands of Swiss francs	2015	2014
Present value of benefit obligation as of 1 January	(42'509)	(33'599)
<i>Included in profit or loss:</i>		
Current service cost (employer)	(2'544)	(2'108)
Interest expense on benefit obligation	(442)	(640)
Past service cost, curtailments, settlements, plan amendments	(144)	-
<i>Included in other comprehensive income:</i>		
Actuarial gains/(losses) on benefit obligation arising from:		
- change in demographic assumptions	(1'089)	-
- change in financial assumptions	(1'310)	(4'537)
- experience gains/(losses)	(1'770)	(1'401)
<i>Other:</i>		
Employees' contributions	(1'903)	(1'779)
Benefits paid	203	1'555
<b>Present value of benefit obligation as of 31 December</b>	<b>(51'508)</b>	<b>(42'509)</b>
Fair value of plan assets as of 1 January	44'365	37'325
<i>Included in profit or loss:</i>		
Interest income on plan assets	388	709
Administration cost	(89)	(69)
<i>Included in other comprehensive income:</i>		
Return on plan assets (excl. interest income)	1'514	4'397
<i>Other:</i>		
Employer's contributions	1'903	1'779
Employees' contributions	1'903	1'779
Benefits paid	(203)	(1'555)
<b>Fair value of plan assets as of 31 December</b>	<b>49'781</b>	<b>44'365</b>
<b>Net defined benefit asset/(obligation) as of 31 December</b>	<b>(1'727)</b>	<b>1'856</b>

The weighted average duration of the net defined benefit obligation is 14.0 years as of 31 December 2015 (2014: 12.9 years).

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

## Asset allocation as of 31 December

	2015	2014
<b>Cash</b>	<b>11.8%</b>	<b>4.7%</b>
<b>Public debt</b>	<b>11.4%</b>	<b>19.8%</b>
Foreign currency bonds	9.1%	12.9%
Inflation linked bonds	0.0%	3.0%
Convertible bonds	2.3%	3.9%
<b>Public equity</b>	<b>22.8%</b>	<b>24.2%</b>
Swiss franc equity securities	9.3%	11.1%
Foreign currency equity securities	13.5%	13.1%
<b>Private markets</b>	<b>29.3%</b>	<b>27.7%</b>
<b>Alternatives/other</b>	<b>24.7%</b>	<b>23.6%</b>
Commodities	0.0%	0.7%
Absolute return	13.3%	13.9%
Insurance linked	0.0%	9.0%
Hedge funds	11.4%	0.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Typically, equity securities and bonds have quoted prices in active markets.

## Principal actuarial assumptions

Assumptions underlying the values of the defined benefit obligation at the reporting date were as follows:

Principal actuarial assumptions as of 31 December	2015	2014
Discount rate	0.70%	0.85%
Expected net return on plan assets	0.70%	0.85%
Interest rate on retirement credits	1.20%	0.85%
Average future salary increases	1.50%	1.50%
Future pension increases	0.00%	0.00%

Assumptions regarding future mortality have been based on published statistics and mortality tables.

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

Assumptions as of 31 December	2015	2014
Average retirement age		
Male	63	63
Female	62	62
Mortality tables used	BVG 2010 (GT)	BVG 2010 (GT)
Turn over	BVG 2010	BVG 2010
Capital option	50.00%	50.00%

## Sensitivity analysis

Reasonable possible changes as of the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts presented below:

In thousands of Swiss francs	Impact on defined benefit obligation	Impact on current service cost (employer)
Decrease of discount rate (-0.5%)	(4'823)	(489)
Increase of discount rate (+0.5%)	4'150	417
Decrease of salary increase (-0.5%)	1'725	137
Increase of salary increase (+0.5%)	(1'824)	(152)

Although the analysis above does not take into account the full distribution of cash flows expected under the defined benefit plan, it does provide an approximation of the sensitivity of the assumptions presented.

The expected employer's contributions in 2016 are estimated at CHF 1.9 million.

## (b) Share-based payments

### Option 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 -and six-year service period, respectively.

Starting in 2010, the Group implemented additional plans for more junior employees with vesting conditions of a two-year service period for 35% of the non-vested share grants.

In 2014, the Group introduced a linear vesting model, with proportionate annual vesting every year over a three- or five-year period following the awards, depending on the rank of the employee and contingent on the employee remaining with the Group during the respective service period (see note 9).

In 2015, the Group implemented a management incentive plan. The vesting of this long-term option-only plan for senior management follows a five-year (50% of grant) and six-year (50% of grant) cliff- vesting model.

# Notes to the consolidated financial statements

## for the years ended 31 December 2015 and 2014

Option and non-vested share grants	Grant date	Number of instruments	Vesting conditions	Expiry date
Options	19.11.2007	921'140	5 years' service	19.11.2017
Options	24.11.2008	743'840	5 years' service	24.11.2018
Options	26.11.2009	4'070	none	26.11.2019
Options	26.11.2009	269'880	5 years' service	26.11.2019
Options	17.11.2010	219'450	5 years' service	17.11.2020
Options	01.01.2011	39'735	5 years' service	17.11.2020
Non-vested shares	01.01.2011	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
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	1 to 5 years <sup>1)</sup>	30.11.2022
Non-vested shares	30.11.2012	112'088	1 to 5 years <sup>1)</sup>	indefinite
Options	29.11.2013	208'780	1 to 5 years <sup>1)</sup>	29.11.2023
Non-vested shares	29.11.2013	104'408	1 to 5 years <sup>1)</sup>	indefinite
Options	8.1.2014	2'177	none	29.11.2023
Options	8.1.2014	4'000	1 to 4 years <sup>1)</sup>	29.11.2023
Non-vested shares	8.1.2014	2'000	1 to 4 years <sup>1)</sup>	indefinite
Options	21.11.2014	8'344	none	21.11.2024
Non-vested shares	21.11.2014	36'905	1 to 3 years <sup>1)</sup>	indefinite
Non-vested shares	21.11.2014	62'584	1 to 5 years <sup>1)</sup>	indefinite
Options	18.6.2015	1'418	none	17.06.2025
Options	23.9.2015	174'000	5 years' service	22.09.2015
Options	19.11.2015	6'127	none	18.11.2025
Non-vested shares	19.11.2015	24'596	1 to 3 years <sup>1)</sup>	indefinite
Non-vested shares	19.11.2015	34'390	1 to 5 years <sup>1)</sup>	indefinite
<b>Total outstanding options/non-vested shares granted since November 2007</b>		<b>3'433'466</b>		
Forfeitures to date		(754'610)		
Exercises to date		(1'548'101)		
<b>Net options/non-vested shares outstanding as of 31 December 2015</b>		<b>1'130'755</b>		

<sup>1)</sup> linear vesting model, with proportionate annual vesting every year

# Notes to the consolidated financial statements

## for the years ended 31 December 2015 and 2014

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

	Weighted average exercise price (in CHF)	Number of instruments	Weighted average exercise price (in CHF)	Number of instruments
	2015	2015	2014	2014
Outstanding as of 1 January	148.04	1'506'281	128.34	2'471'069
Forfeited during the period	138.89	(31'860)	154.30	(151'864)
Exercised during the period	118.31	(584'197)	80.82	(928'934)
Granted during the period - options	449.01	181'545	301.03	14'521
Granted during the period - shares	-	58'986	-	101'489
<b>Outstanding as of 31 December</b>	<b>204.26</b>	<b>1'130'755</b>	<b>148.04</b>	<b>1'506'281</b>
<b>Exercisable as of 31 December</b>		<b>413'376</b>		<b>615'296</b>

Of the outstanding 1'130'755 options and non-vested shares under the diverse programs of the Group, 413'376 options are exercisable immediately. All other options and non-vested shares are subject to a restriction period of at least until 14 November 2016.

The outstanding instruments are split by strike price and grant year as follows:

Numbers of instruments outstanding			
Grant year	Strike price in CHF	2015	2014
Options granted in 2006	138.00	-	43'436
Options granted in 2007	159.00	26'235	159'134
Options granted in 2008	100.00	54'754	143'741
Options granted in 2009	150.00	53'742	165'384
Options granted in 2010 and 1.1.2011	209.00	137'699	175'475
Options granted in 2011	195.00	98'946	103'696
Options granted in 2012	236.00	147'716	175'329
Options granted in 2013 and 8.1.2014	270.00	170'755	190'869
Options granted in 2014	324.00	8'344	8'344
Options granted in 2015	340.00	1'418	-
Options granted in 2015	450.00	174'000	-
Options granted in 2015	446.00	6'127	-
Non-vested shares granted from 2008 to 2015	-	251'019	340'873
<b>Total instruments outstanding</b>		<b>1'130'755</b>	<b>1'506'281</b>

The estimated fair value of options granted, and the underlying fair value of services, is based on the Black-Scholes model, whereas the fair value of the non-vested shares granted is based on the share price at the date of grant.



# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

## Fair value of share options and non-vested shares granted in 2015, and related assumptions:

	Vested options	Options	Options <sup>1)</sup>	Vested Options	Non-vested shares	Non-vested shares
Date of grant	18.6.2015	23.09.2015	23.09.2015	19.11.2015	19.11.2015	19.11.2015
Fair value per option/non-vested share at measurement date (in CHF)	24.33	16.82		32.65	372.25	372.25
Share price (in CHF)	283.50	328.25		372.25	372.25	372.25
Exercise price (in CHF)	340.00	450.00		446.00		
Vesting conditions	none	5 years	6 years	none	3 years <sup>2)</sup>	5 years <sup>2)</sup>
Expected volatility	24.60%	23.41%		25.50%		
Expected term of execution	5 years	5 years	6 years			
Expected dividend ratio	3.10%	3.07%		3.03%		
Risk-free interest rate (based on Swap rates)	(0.50%)	(0.61%)		(0.94%)		
Total options/non-vested shares granted	1'418	174'000		6'127	24'596	34'390
Total value granted in 2015 (in thousands of CHF)	35	2'927	2'873	200	9'156	12'802
<b>Gross amount recognized in profit or loss (in thousands of CHF)</b>	<b>35</b>	<b>487</b>	<b>409</b>	<b>200</b>	<b>3'267</b>	<b>3'668</b>
Forfeitures during 2015 (in thousands of CHF)					(19)	(8)
<b>Net amount recognized in profit or loss (in thousands of CHF)</b>	<b>35</b>	<b>487</b>	<b>409</b>	<b>200</b>	<b>3'248</b>	<b>3'660</b>
<b>Total amount recognized in profit or loss (in thousands of CHF)</b>						<b>8'039</b>
- recognized in "personnel expenses" in current year (in thousands of CHF)						7'804
- recognized in "third party services" in current year (in thousands of CHF)						235

<sup>1)</sup> Under the 23 September 2015 option plan, the Group granted equity incentives equaling to the fair value of CHF 5.8m. The amount is allocated to the participants in two tranches, the first half in September 2015 and the second half in September 2016. As both parties have a common understanding of the terms and conditions and participants have begun rendering services in respect of both tranches, the Group recognizes services when received.

<sup>2)</sup> linear vesting model, with proportionate annual vesting every year

The applied expected volatility is determined using an average volatility that was calculated based on 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.

Typically, the Group grants non-vested shares together with options on an annual basis at the absolute discretion of the BoD. On 23 September 2015, options and on 19 November 2015, non-vested shares were granted to employees. In addition, vested options were granted to members of the BoD.

# Notes to the consolidated financial statements

## for the years ended 31 December 2015 and 2014

### Management carry program

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 the broader management teams, including members of the BoD and the Executive Committee. The Nomination & Compensation Committee and the BoD plan an allocation of around 40% of the total carry pool to the MCP scheme annually. Until 2013, the MCP grants include a vesting period of up to five years in line with the Group's overall long-term incentive schemes. From 2014, the grants include a five-year linear vesting model with proportionate annual vesting every year.

The MCP benefits will be paid in cash to the eligible employees after the vesting period and when the potential future performance fees are recognized and received by the Group. Actual values and future payments based on the MCP grants depend on the eventual future performance attributable to investments made and cannot reliably be estimated at the point of grant because they depend on numerous variable parameters and future events. As a consequence, MCP costs (associated with these MCP-related performance fees) cannot be reliably estimated. Therefore the Group does not recognize potential future liabilities for the MCP allocations, in line with the governing accrual principle. Hence, potential future MCP payments to employees are recognized when the respective contingent rights materialize and actual performance fee is generated. In other words, payments to employees, resulting from former MCP grants, are backed by actual cash-flows from performance fees generated by underlying investment programs' performance. When MCP-related performance fees are received, the Group recognizes the resulting MCP costs as "personnel expenses" (see note 9; other long-term benefits). Until the cash amount is paid to eligible employees, the liabilities are recognized as "provisions" (see note 27).

### Entry shares

The Group further grants shares to employees of the Group that commenced employment with the Group in the same year. 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.

Entry share grants	Grant year	Number of instruments	Vesting conditions
Shares	2011	7'660	1 year's service
Shares	2012	5'481	1 year's service
Shares	2013	5'432	1 year's service
Shares	2014	4'470	1 year's service
Shares	2015	4'261	1 year's service

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

## 27. Provisions

In thousands of Swiss francs	2015		
	MCP	Others	Total
Balance as of 1 January 2015	12'068	178	12'246
Additions	11'329	53	11'382
Amounts used	(704)	-	(704)
Effect of movements in exchange rates	(56)	(16)	(72)
<b>Balance as of 31 December 2015</b>	<b>22'637</b>	<b>215</b>	<b>22'852</b>

In thousands of Swiss francs	2014		
	MCP	Others	Total
Balance as of 1 January 2014	5'931	169	6'100
Additions	6'164	55	6'219
Amounts used	(319)	-	(319)
Reversed amounts (unused)	(5)	(43)	(48)
Effect of movements in exchange rates	297	(3)	294
<b>Balance as of 31 December 2014</b>	<b>12'068</b>	<b>178</b>	<b>12'246</b>

The majority of provisions relates to the MCP which was introduced in 2011 (see note 26).

## 28. Share capital and reserves

In effective number of shares	2015	2014
Issued as of 1 January	26'700'000	26'700'000
Issued during the period	-	-
<b>Issued as of 31 December - fully paid in</b>	<b>26'700'000</b>	<b>26'700'000</b>

The issued share capital comprises 26'700'000 registered shares (2014: 26'700'000) at CHF 0.01 nominal value each. The shareholders 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.

# Notes to the consolidated financial statements

## for the years ended 31 December 2015 and 2014

### Legal reserves

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 amount to CHF 218'100 as of 31 December 2015 (2014: CHF 218'100), consisting of CHF 217'100 (2014: CHF 217'100) for legal reserves from capital contributions and of CHF 1'000 (2014: 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 391'524 (2014: 517'457) of the Company's issued shares. The Group holds treasury shares to provide for existing share and option programs.

### Translation reserves

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 BoD proposes a dividend distribution of CHF 280.4 million (CHF 10.50 per share) for 2015. During the reporting period, the Company paid a dividend of CHF 225.0 million (CHF 8.50 per share) (2014: CHF 187.9 million, CHF 7.25 per share). As the Group's treasury shares were not eligible for a dividend payment, the approved dividend distribution for 2014 of CHF 227.0 million was not fully distributed.

### 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		2015	
	Shares issued	Treasury shares	Shares outstanding
Balance as of 1 January	26'700'000	517'547	26'182'453
Purchase of treasury shares		843'329	(843'329)
Disposal of treasury shares		(969'352)	969'352
<b>Balance as of 31 December</b>	<b>26'700'000</b>	<b>391'524</b>	<b>26'308'476</b>
Weighted average number of shares outstanding during the period (360 days)			26'416'718
<b>Shareholders above 5% (in % of shares issued)</b>		<b>Shares held</b>	<b>in %</b>
Dr. Marcel Erni		2'673'659	10.01%
Alfred Gantner		2'673'659	10.01%
Urs Wietlisbach		2'673'659	10.01%
BlackRock		1'406'033	5.27%

The Group's founding partners, Dr. Marcel Erni, Alfred Gantner and Urs Wietlisbach, have each entered into a derivative transaction with a third party concerning up to 4.1% of the Group's total share capital over the next five years.

The transaction involves collars that expire on 17 June 2021, subject to early termination, including optional early termination by the three founding partners. This transaction does not intend any change in the size of the three founding partners' stakes in the Company during the period until maturity.

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

In effective number of shares			2014
	Shares issued	Treasury shares	Shares outstanding
Balance as of 1 January	26'700'000	925'893	25'774'107
Purchase of treasury shares		666'633	(666'633)
Disposal of treasury shares		(1'074'979)	1'074'979
<b>Balance as of 31 December</b>	<b>26'700'000</b>	<b>517'547</b>	<b>26'182'453</b>
Weighted average number of shares outstanding during the period (360 days)			25'920'194
<b>Shareholders above 5% (in % of shares issued)</b>		<b>Shares held</b>	<b>in %</b>
Dr. Marcel Erni		2'673'659	10.01%
Alfred Gantner		2'673'659	10.01%
Urs Wietlisbach		2'673'659	10.01%
BlackRock		1'406'033	5.27%

## 29. Earnings per share

In Swiss francs	2015	2014
Average fair value of one ordinary share during the period	311.12	245.83
Weighted average exercise price for shares under option during the period	214.21	179.25

	2015	
	Earnings per share	Net profit
Profit for the period (in thousands of Swiss francs)		395'930
Weighted average number of ordinary shares outstanding		26'416'718
<b>Basic earnings per share (in Swiss francs)</b>	<b>14.99</b>	
Weighted average number of shares under option during the period		965'585
Number of shares that would have been issued at fair value <sup>1)</sup>		(645'100)
<b>Diluted earnings per share (in Swiss francs)</b>	<b>14.81</b>	<b>26'737'203</b>

<sup>1)</sup> calculated on the basis of each individual share option grant

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

		2014
	Earnings per share	Net profit
		Number of shares
Profit for the period (in thousands of Swiss francs)		375'221
Weighted average number of ordinary shares outstanding		25'920'194
<b>Basic earnings per share (in Swiss francs)</b>	<b>14.48</b>	
Weighted average number of shares under option during the period		1'504'757
Number of shares that would have been issued at fair value <sup>1)</sup>		(1'077'019)
<b>Diluted earnings per share (in Swiss francs)</b>	<b>14.24</b>	<b>26'347'932</b>

<sup>1)</sup> calculated on the basis of each individual share option grant

As of 31 December 2015 the Group had 1'130'755 options and non-vested shares outstanding (2014: 1'506'281). The treasury shares necessary to cover the granted non-vested shares have already been put aside in separate escrow accounts. Thus, the number of treasury shares (see note 28) is already net of non-vested shares outstanding.

As of 31 December 2015, to cover the outstanding in-the-money options at the share price at year-end of CHF 361.25 (2014: CHF 289.50), net (i.e. after considering the respective strike price) 284'572 treasury shares would be necessary (2014: 396'147).

## 30. Operating leases

### Leases as a lessee

Non-cancellable operating leases are payable as follows:

In thousands of Swiss francs	31 December 2015	31 December 2014
Less than one year	9'456	9'544
Between one and five years	27'145	21'126
More than five years	-	7'813
<b>Total non-cancellable operating leases</b>	<b>36'601</b>	<b>38'483</b>

The Group classifies its office rental payments under operating leases. None of the leases include contingent rentals. During the current year, CHF 9.6 million was recognized as an expense in profit or loss in respect of operating leases (2014: CHF 8.9 million). The Group received payments of CHF 0.7 million (2014: CHF 0.5 million) from sublease agreements.

## 31. Capital commitments

As of 31 December 2015, the Group had capital commitment contracts of CHF 433.2 million (2014: CHF 377.6 million), whereof CHF 172.1 million (2014: CHF 139.2 million) were not yet called by the relevant investment manager. The capital commitments are called over time, typically between one to five years following the subscription of the commitment (see note 20). In addition, the Group may selectively enter into capital commitment contracts to bridge investments for investment programs managed by the Group and enter into capital commitments for seed capital investments into investment programs managed by the Group (see notes 15 and 16).

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

## 32. Contingencies

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

## 33. Related party transactions

The Group has related party relationships with its subsidiaries (see note 34), investments in associates (see note 19), pension funds (see note 26(a)), as well as with its management and significant shareholders and their related parties.

In 2015, investments in associates purchased services from the Group in the amount of CHF 15.1 million (2014: CHF 6.7 million). In 2015, the Group received no dividends (2014: CHF 4.1 million) from investments in associates (see note 19).

As of 31 December 2015, loans to related parties of the Group amount to CHF 3.4 million (2014: CHF 2.9 million) and are included in "other financial assets" (see note 21).

The Group purchased treasury shares at arm's-length from its shareholders employed by the Group as follows:

In effective number of shares	2015	2014
Purchase of treasury shares from shareholders employed by the Group	2'622	311'420
Average purchase price per share (in Swiss francs)	365.61	237.82

The Group is managed by the BoD and the Executive Committee ("ExCo") of the Company. The total personnel expenses for the BoD as well as the ExCo of the Company are included in "third party services" (see note 8) and "personnel expenses" (see note 9) and amount to:

In thousands of Swiss francs	2015	2014
BoD:		
Short-term employment benefits	2'957	2'803
Other compensation	345	361
Share-based payment expenses	634	600
MCP expenses	865	367
<b>Total BoD</b>	<b>4'801</b>	<b>4'131</b>
ExCo:		
Short-term employment benefits	8'402	8'825
Other compensation	827	1'037
Share-based payment expenses	1'700	1'651
MCP expenses	2'000	791
<b>Total ExCo</b>	<b>12'929</b>	<b>12'304</b>
<b>Total BoD and ExCo</b>	<b>17'730</b>	<b>16'435</b>

The members of the BoD and ExCo of the Company may also participate in the Group's share-based payment programs (see note 26(b)).

# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

At the relevant balance sheet date, they were holding the following number of options, non-vested shares and shares:

## Options and non-vested shares:

In effective number of options and non-vested shares	31 December 2015	31 December 2014
Board members (vested options)	32'230	32'964
Board members (non-vested options and shares)	7'271	13'737
Members of the ExCo (options and non-vested shares)	110'078	241'929
<b>Total</b>	<b>149'579</b>	<b>288'630</b>

## Share ownership (unrestricted):

In effective number of shares	31 December 2015	31 December 2014
Board members	8'384'699	8'383'916
Members of the ExCo	1'637'454	1'866'453
<b>Total</b>	<b>10'022'153</b>	<b>10'250'369</b>

For further information in accordance with Art. 663c of the Swiss Code of Obligations refer to note 13 of the entity accounts of Partners Group Holding AG.



# Notes to the consolidated financial statements for the years ended 31 December 2015 and 2014

## 34. Subsidiaries

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

Name of the subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting rights held by the Group	
			31 December 2015	31 December 2014
Partners Group AG	Investment manager	Switzerland	100%	100%
Partners Group Corporate Finance AG	Corporate Finance	Switzerland	100%	100%
Partners Group (Brazil) Investimentos Ltda.	Investment manager	Brazil	100%	100%
Partners Group (Deutschland) GmbH	Investment manager	Germany	100%	100%
Partners Group (France) SAS	Investment manager	France	100%	100%
Partners Group (Guernsey) Limited	Investment manager	Guernsey	100%	100%
Partners Group (India) Private Limited	Investment manager	India	100%	100%
Partners Group (Italy) SGR S.p.A.	Investment manager	Italy	100%	100%
Partners Group (Luxembourg) S.A.	Investment manager	Luxembourg	100%	100%
Partners Group (Shanghai) Co., Ltd.	Investment manager	China	100%	100%
Partners Group (Singapore) Pte. Limited	Investment manager	Singapore	100%	100%
Partners Group (UK) Limited	Investment manager	UK	100%	100%
Partners Group (USA) Inc.	Investment manager	USA	100%	100%

# Notes to the consolidated financial statements

## for the years ended 31 December 2015 and 2014

At the end of the reporting period, the Group has other subsidiaries that perform management services and hold the investments in the investment programs (see note 20). The principal activities and their place of operation are summarized as follows:

Principal activity	Place of incorporation and operation	Number of subsidiaries	
		31 December 2015	31 December 2014
General partner to investment programs	Guernsey	17	16
General partner to investment programs	Scotland	3	2
General partner to investment programs	Germany	1	1
General partner to investment programs	Cayman Islands	3	-
Manager to investment vehicles	USA	1	1
Manager to investment vehicles	UK	1	1
Manager to investment programs	Luxembourg	3	3
Client access management	Guernsey	1	1
Financing/treasury	Guernsey	5	5
Management services to investment programs	Guernsey	3	3

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

## 35. Involvement with structured entities

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. Such entities often have restricted activities and a narrow and well-defined objective.

### Consolidated structured entities

The Group seed finances certain investment programs with seed financing in their early stage. The decision to seed finance an investment program is taken by responsible bodies defined in the Group's ROOs. For further details see note 16.

### Unconsolidated structured entities

The fair value of other investments, as presented in note 20, represents the Group's participation in unconsolidated investment program structures.

## 36. Subsequent events

No events took place between 31 December 2015 and 15 March 2016 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

<b>1. Report of the Auditors on the financial statements of Partners Group Holding AG</b>	<b>122</b>
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## **2. Financial statements of Partners Group Holding AG:**

– Income statement for the years ended 31 December 2015 and 2014	125
– Balance sheet as of 31 December 2015 and 2014	126
– Notes to the financial statements for the years ended 31 December 2015 and 2014	127

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<b>3. Proposal by the Board of Directors of Partners Group Holding AG for the appropriation of available earnings as of 31 December 2015</b>	<b>135</b>
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# Report of the auditors on the financial statements of Partners Group Holding AG



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Report of the Statutory Auditor to the General Meeting of Shareholders of

**Partners Group Holding AG, Baar**

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## Report of the Statutory Auditor on the Financial Statements

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 125 to 135) for the year ended 31 December 2015.

### *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 2015 comply with Swiss law and the company's articles of incorporation.

# Report of the auditors on the financial statements of Partners Group Holding AG



## **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

A handwritten signature in blue ink, appearing to read 'C. Gröbli'.

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

A handwritten signature in blue ink, appearing to read 'T. Dorst'.

Thomas Dorst  
*Licensed Audit Expert*

Zurich, 9 March 2016



**René Biner** Co-Head Investments | **Kevin Lu** Head Investment Solutions Asia

Partners Group is committed to providing relevant information to all stakeholders on the firm's operating result and business development. In line with this commitment, the firm also aims to share a true and fair view on the business activities of Partners Group Holding AG.

# Income statement of Partners Group Holding AG

## for the years ended 31 December 2015 and 2014

In thousands of Swiss francs	Note	2015	2014
Dividend income		322'584	246'490
Revaluation gains on financial investments		1'127	3'098
Gains on disposal of participations		-	653
Other finance income	2	41'914	18'541
<b>Total income</b>		<b>365'625</b>	<b>268'782</b>
Third party services		(1'272)	(745)
General and administrative expenses		(1'339)	(1'254)
Travel and representation expenses		(106)	(69)
Finance expense	3	(69'126)	(77'645)
<b>Profit before tax</b>		<b>293'782</b>	<b>189'069</b>
Direct taxes		(1'895)	(57)
<b>Profit for the period</b>		<b>291'887</b>	<b>189'012</b>

# Balance sheet of Partners Group Holding AG

## as of 31 December 2015 and 2014

In thousands of Swiss francs	Note	31 December 2015	31 December 2014
<b>Assets</b>			
Cash and cash equivalents		86'702	139'190
Marketable securities		-	9'189
Trade receivables		3'347	-
Other current receivables	4	228'278	132'183
Deferred expenses and accrued income		1'121	450
<b>Total current assets</b>		<b>319'448</b>	<b>281'012</b>
Financial assets	5	4'693	11'535
Participations	6	860'483	741'516
<b>Total non-current assets</b>		<b>865'176</b>	<b>753'051</b>
<b>Total assets</b>		<b>1'184'624</b>	<b>1'034'063</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Current interest-bearing liabilities to subsidiaries		367'718	272'888
Other current liabilities	7	2'949	474
<b>Total current liabilities</b>		<b>370'667</b>	<b>273'362</b>
Provisions	8	1'288	657
<b>Total non-current liabilities</b>		<b>1'288</b>	<b>657</b>
<b>Total liabilities</b>		<b>371'955</b>	<b>274'019</b>
<b>Equity</b>			
Share capital		267	267
Legal capital reserves			
Legal reserves from capital contributions		217	217
Legal retained earnings			
Legal reserves		1	1
Voluntary retained earnings			
Results carried forward		654'099	690'081
Profit for the period		291'887	189'012
Treasury shares	9	(133'802)	(119'534)
<b>Total equity</b>		<b>812'669</b>	<b>760'044</b>
<b>Total liabilities and equity</b>		<b>1'184'624</b>	<b>1'034'063</b>



# Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2015 and 2014

## 1. Accounting principles

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

The presentation of the financial statements has been amended to be in line with the new Swiss accounting law, which became effective on 1 January 2013. 2014 disclosures have been amended accordingly.

Partners Group Holding AG ("the Company") is domiciled in Switzerland. The address of the Company's registered office is Zugerstrasse 57, 6341 Baar-Zug, Switzerland.

### Marketable Securities

Marketable securities include investments in equity securities with a quoted market price in an active market.

### Receivables and liabilities

Receivables from and liabilities to subsidiaries are denominated in the local currency of the respective subsidiary and are presented on a net basis for each counterparty.

### Financial assets

Financial assets include long-term loans. Loans granted in foreign currencies are translated to Swiss francs at foreign currency exchange rates applicable at the balance sheet date.

### Participations

The Company formally assessed for the first time if the group valuation principle can be applied under the new accounting rules applicable for the reporting year 2015. Such assessment led to the conclusion that the conditions for the application of the Group valuation principle are met for all participations (see note 6).

### Treasury shares

Treasury shares are recognized at acquisition cost, deducted from equity at the time of acquisition and presented separately within equity. In case of a disposal of treasury shares, the gain or loss is recognized in the income statement as "other finance income" or "finance expense". The treasury shares are valued at the lower of transaction or market price.

## 2. Other finance income

In thousands of Swiss francs	2015	2014
Interest income	1'507	869
Foreign exchange gains	15'265	6'253
Gain on treasury share transactions	25'142	11'419
<b>Total other finance income</b>	<b>41'914</b>	<b>18'541</b>

# Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2015 and 2014

## 3. Finance expense

In thousands of Swiss francs	2015	2014
Interest expense	(2'809)	(1'938)
Foreign exchange losses	(18'875)	(7'932)
Loss on treasury share transactions	(46'891)	(66'670)
Other finance expense	(551)	(1'105)
<b>Total finance expense</b>	<b>(69'126)</b>	<b>(77'645)</b>

## 4. Other current receivables

In thousands of Swiss francs	31 December 2015	31 December 2014
Other current receivables		
Third parties	78	1'518
Subsidiaries	228'200	130'665
<b>Total other current receivables</b>	<b>228'278</b>	<b>132'183</b>

## 5. Financial assets

In thousands of Swiss francs	31 December 2015	31 December 2014
Loans to subsidiaries	4'349	9'619
Loans to employees	315	451
Other financial assets	29	1'465
<b>Total financial assets</b>	<b>4'693</b>	<b>11'535</b>

# Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2015 and 2014

## 6. Participations

	Domicile	Ownership and voting interest	
		31 December 2015	31 December 2014
Partners Group AG	Switzerland	100%	100%
Partners Group Corporate Finance AG	Switzerland	100%	100%
Partners Group (Deutschland) GmbH	Germany	100%	100%
Partners Group Management (Deutschland) GmbH	Germany	100%	100%
Partners Group (Luxembourg) S.A.	Luxembourg	100%	100%
Partners Group Management I S.à r.l.	Luxembourg	100%	100%
Partners Group Management II S.à r.l.	Luxembourg	100%	100%
Partners Group Management III S.à r.l.	Luxembourg	100%	100%
Partners Group (France) SAS	France	100%	100%
Partners Group (Brazil) Investimentos Ltda.	Brazil	100%	100%
Partners Group (USA) Inc.	USA	100%	100%
Partners Group (Singapore) Pte. Limited	Singapore	100%	100%
Partners Group (Shanghai) Co., Limited	China	100%	100%
Partners Group (India) Private Limited	India	100%	100%
Partners Group (UK) Limited	UK	100%	100%
Partners Group (UK) Management Limited	UK	100%	100%
Partners Group Cayman Management I Limited	Cayman Islands	100%	-
Partners Group Cayman Management II Limited	Cayman Islands	100%	-
Partners Group Cayman Management III Limited	Cayman Islands	100%	-
Partners Group (Guernsey) Limited	Guernsey	100%	100%
Pearl Management Limited	Guernsey	100%	100%
Penta Management Limited	Guernsey	100%	100%
Princess Management Limited	Guernsey	100%	100%
Partners Group Management Limited	Guernsey	100%	100%
Partners Group Management II Limited	Guernsey	100%	100%
Partners Group Management III Limited	Guernsey	100%	100%
Partners Group Management IV Limited	Guernsey	100%	100%
Partners Group Management V Limited	Guernsey	100%	100%
Partners Group Management VI Limited	Guernsey	100%	100%
Partners Group Management VII Limited	Guernsey	100%	100%
Partners Group Management VIII Limited	Guernsey	100%	100%
Partners Group Management IX Limited	Guernsey	100%	100%
Partners Group Management X Limited	Guernsey	100%	100%

# Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2015 and 2014

## 6. Participations (continued)

	Domicile	Ownership and voting interest	
		31 December 2015	31 December 2014
Partners Group Management XI Limited	Guernsey	100%	100%
Partners Group Management XII Limited	Guernsey	100%	100%
Partners Group Management XIII Limited	Guernsey	100%	100%
Partners Group Management XIV Limited	Guernsey	100%	100%
Partners Group Management XV Limited	Guernsey	100%	-
Partners Group Client Access Management I Limited	Guernsey	100%	100%
Partners Group Access Finance Limited	Guernsey	100%	100%
Partners Group Finance ICC Limited	Guernsey	100%	100%
Partners Group Finance CHF IC Limited	Guernsey	100%	100%
Partners Group Finance USD IC Limited	Guernsey	100%	100%
Partners Group Finance EUR IC Limited	Guernsey	100%	100%
Partners Group Finance GBP IC Limited	Guernsey	100%	100%
Partners Group Private Equity Performance Holding Limited	Guernsey	100%	100%
LGT Private Equity Advisers AG	Liechtenstein	40%	40%

## 7. Other current liabilities

In thousands of Swiss francs	31 December 2015	31 December 2014
Accrued audit expenses	96	76
Other accrued expenses	35	43
Tax liabilities	1'972	-
Sundry liabilities	846	355
<b>Total other current liabilities</b>	<b>2'949</b>	<b>474</b>

# Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2015 and 2014

## 8. Provisions

In thousands of Swiss francs	31 December 2015	31 December 2014
Provisions for compensation to board members		
Option grants	882	648
Management carry program	379	8
Social security expenses on management carry program	27	1
<b>Total provisions</b>	<b>1'288</b>	<b>657</b>

## 9. Treasury shares

	Number of shares	Weighted average price	Total value
		In Swiss francs	In thousands of Swiss francs
Balance as of 1 January 2014	925'893	218.46	202'267
Purchase of treasury shares	666'633	237.77	158'504
Disposal of treasury shares	(1'074'979)	224.41	(241'237)
<b>Balance as of 31 December 2014</b>	<b>517'547</b>	<b>230.96</b>	<b>119'534</b>
Purchase of treasury shares	843'329	321.95	271'512
Disposal of treasury shares	(969'352)	265.38	(257'244)
<b>Balance as of 31 December 2015</b>	<b>391'524</b>	<b>341.75</b>	<b>133'802</b>

The Company has 1'130'755 (31 December 2014: 1'506'281) outstanding employee options and non-vested shares which will vest over the next 10 years (see also note 26(b) of the consolidated financial statements).

# Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2015 and 2014

## 10. Share and option grants to members of the Board of Directors and the Executive Committee

In Swiss francs	2015			2014		
	Number of instruments	Weighted average price	Total value	Number of instruments	Weighted average price	Total value
<b>Board of Directors</b>						
Shares	1'075	372.25	400'169	1'482	270.00	400'140
Options	7'545	31.09	234'574	8'344	23.97	200'006
<b>Executive Committee</b>						
Shares	538	372.25	200'271	6'116	270.00	1'651'320
Options	45'000	16.82	756'900	-	-	-

## 11. Commitments and contingent liabilities

In thousands of Swiss francs	31 December 2015	31 December 2014
Guarantees for subsidiaries	425'000	425'000

The Company and certain subsidiaries maintain the following lines of credit as of 31 December 2015 (see note 4.3.2 of the consolidated financial statements):

- CHF 50 million
- CHF 375 million

The amounts drawn by subsidiaries are guaranteed by the Company.

The credit facility agreement for the CHF 375 million credit line with a syndicate of Swiss banks refers to a maximum amount of such guarantees, limited to 110% of the overall drawn advances. As of 31 December 2015 CHF 95 million are drawn by a subsidiary (2014: nil).

## 12. Shareholders above 5% (in % of shares issued)

	31 December 2015	31 December 2014
Dr. Marcel Erni	10.01%	10.01%
Alfred Gantner	10.01%	10.01%
Urs Wietlisbach	10.01%	10.01%
BlackRock	5.27%	5.27%

# Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2015 and 2014

## 13. Share and option holdings by members of the Board of Directors and the Executive Committee

Number of shares and options	31 December 2015		
	Share ownership	Non-vested shares	Options
<b>Board of Directors</b>			
Dr. Peter Wuffli, Chairman	10'000	-	16'470
Dr. Charles Dallara, Executive Vice Chairman	1'817	3'661	6'000
Dr. Marcel Erni	2'673'659	-	-
Alfred Gantner	2'673'659	-	-
Steffen Meister	351'905	270	4'350
Grace del Rosario-Castaño <sup>1)</sup>	-	-	1'532
Dr. Eric Strutz	-	-	7'218
Patrick Ward	-	-	-
Urs Wietlisbach	2'673'659	-	-
<b>Executive Committee</b>			
André Frei, Co-Chief Executive Officer	66'376	1'105	17'500
Christoph Rubeli, Co-Chief Executive Officer	540'501	1'105	2'500
Claude Angéloz	287'346	745	1'300
Andreas Baumann	10'101	1'134	5'340
René Biner	46'176	865	1'700
Felix Haldner	368'782	745	11'100
Andreas Knecht, Chief Operating Officer and General Counsel	2'295	1'705	23'100
Marlis Morin	16'011	1'134	3'700
Stefan Näf	129'612	865	5'700
Dr. Stephan Schäli	94'775	865	1'700
Dr. Michael Studer	28'224	1'225	20'900
Dr. Cyrill Wipfli, Chief Financial Officer	47'255	745	3'300
<b>Total</b>	<b>10'022'153</b>	<b>16'169</b>	<b>133'410</b>

<sup>1)</sup> member of the Board of Directors since 13 May 2015

# Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2015 and 2014

## 13. Share and option holdings by members of the Board of Directors and the Executive Committee (continued)

Number of shares and options	31 December 2014		
	Share ownership	Non-vested shares	Options
<b>Board of Directors</b>			
Dr. Peter Wuffli, Chairman	10'000	-	13'407
Dr. Charles Dallara, Executive Vice Chairman	1'169	3'482	6'000
Dr. Marcel Erni	2'673'659	-	-
Alfred Gantner	2'673'659	-	-
Steffen Meister	350'270	1'905	4'350
Dr. Eric Strutz	-	-	5'686
Patrick Ward	-	-	-
Urs Wietlisbach	2'673'659	-	-
Dr. Wolfgang Zürcher	1'500	-	11'871
<b>Executive Committee</b>			
André Frei, Co-Chief Executive Officer	61'740	1'466	21'100
Christoph Rubeli, Co-Chief Executive Officer	693'540	1'466	6'100
Claude Angéloz	259'555	2'986	48'400
René Biner	65'894	1'146	5'300
Felix Haldner	362'802	2'486	17'100
Andreas Knecht	3'316	3'826	12'900
Marlis Morin <sup>2)</sup>	14'730	2'146	3'700
Stefan Näf	95'436	3'146	65'200
Dr. Stephan Schäli	99'894	1'146	5'300
Dr. Michael Studer	29'323	3'126	5'900
Jürg Wenger, Chief Operating Officer <sup>1)</sup>	142'113	270	900
Dr. Cyrill Wipfli, Chief Financial Officer	38'110	1'986	24'833
<b>Total</b>	<b>10'250'369</b>	<b>30'583</b>	<b>258'047</b>

<sup>1)</sup> member of the Executive Committee until 31 December 2014

<sup>2)</sup> member of the Executive Committee since 1 July 2014

## 14. Full-time employees

The Company did not have any employees in the reporting year, or in the previous year.



# Proposal by the Board of Directors of Partners Group Holding AG for the appropriation of available earnings as of 31 December 2015

In thousands of Swiss francs	31 December 2015
Profit for the period	291'887
Results carried forward	654'099
<b>Total voluntary retained earnings available for appropriation</b>	<b>945'986</b>
<b>Proposal by the Board of Directors to the Annual General Meeting of shareholders:</b>	
To be distributed to shareholders	(280'350)
<b>To be carried forward</b>	<b>665'636</b>



**Pamela Alsterlind** Co-Head Private Real Estate | **André Frei** Co-CEO

As in any investment firm, compensation is an important pillar of governance and leadership. It is, however, no substitute for a caring culture, for non-material ways of recognizing individual achievements and for helping the development of the firm's human capital.

# Compensation report

## Dear clients, business partners and fellow shareholders,

As Chairwoman of the Nomination & Compensation Committee of the Board, I am pleased to present you with Partners Group's compensation report for the year ended 31 December 2015. In this report, the Nomination & Compensation Committee outlines the philosophy and principles behind Partners Group's compensation structure and describes the compensation proposal for the firm's Executive Committee and Board for the fiscal year 2015.

As a global private markets investment manager, our purpose is to deliver superior investment returns to our clients by realizing the potential of private markets through our broad investment platform. We adopt a long-term approach to our investment activities in order to optimize value creation for all stakeholders and create lasting positive impact for the benefit of individuals and societies worldwide. We adopt a similar long-term approach to employee compensation since this supports our business strategy and encourages a corporate culture of commitment, accountability and entrepreneurship over the long term. This approach also reflects our belief that employees' interests should be closely aligned with those of our clients and shareholders.

The Nomination & Compensation Committee is convinced that the firm's compensation system can attract and retain highly competent and entrepreneurial individuals that share Partners Group's values. The talents we attract are expected to support the firm's aspiration to be a respected and admired leader in its field and to shape its industry through thought leadership and innovation.

### Linking pay to performance

The Nomination & Compensation Committee assesses the performance of executives based on whether the quantitative and qualitative goals of the firm were achieved. The degree to which the firm, its teams and individual professionals have exceeded or missed these measureable goals provides an overall rating and serves as an input for the nomination and compensation review at year-end. This performance assessment allows senior management to exercise its judgment and reserves the right for them to apply an appropriate degree of discretion when warranted.

### Annual financial result 2015

Overall, 2015 was a successful year for Partners Group in many regards. Backed by strong client demand, a growing investment platform and continued business expansion, the firm disclosed new record AuM of EUR 46 billion at the end of the year while its team size grew to over 800 professionals. New gross client commitments of over EUR 8 billion were received and a total of close to USD 10 billion was invested in attractive assets across private markets throughout the year. These successful investment activities have generated significant performance fee potential for the firm, its shareholders and its employees over the mid- to long-term.

The firm also delivered solid financial performance during the reporting period, tempered by a strengthened Swiss franc against other currencies. As a result, revenues of CHF 619 million (2014: CHF 574 million) and EBITDA of CHF 367 million (2014: CHF 347 million) increased by 8% and 6% respectively compared to the same period a year ago. The 2015 EBITDA development did not leave room for meaningful changes to the overall cash and equity compensation. As a result, the compensation paid to the Executive Committee (see section 5) and the Board (see section 6) was in line with the 2014 cash and equity compensation.

### Review of our compensation structure in 2015

Though the general philosophy behind our compensation policy has remained unchanged, we undertake periodic reviews of our compensation structure and make adjustments as necessary in order to ensure that the interests of employees, clients, shareholders and other stakeholders remain best aligned.

In 2015, no structural amendments were made to the existing compensation system. However, we added a long-term option-only plan, the "Management Incentive Plan" (MIP). This plan awards options to a select number of the firm's Partners and Managing Directors and is aimed at senior professionals with fewer shareholdings in the firm compared to their more senior colleagues. The newly introduced MIP follows a five-year cliff vesting model and includes a two-year non-compete agreement following the vesting. The plan is primarily designed to significantly strengthen the alignment of our senior management team's interests with those of shareholders and to promote a culture of entrepreneurship which should drive forward the firm's business activities and financial success. At the same time, it should create the opportunity for our senior management to build a substantial equity ownership in the firm which, in turn, serves as a material commitment and retention tool.

# Compensation report

## Prospective vs. retrospective voting

The Ordinance against Excessive Compensation in listed joint stock companies ("OaEC") of the Swiss Federal Council gives companies the choice to introduce either a retrospective or a prospective voting system, or a combination of the two. We believe a prospective voting system is advantageous for our firm due to the inherent nature of our long-term oriented compensation framework. We outline in section 2.3 why we believe this is the case.

## 2016 Annual General Meeting (AGM)

The Nomination & Compensation Committee prepared the proposal for the separate binding votes on the Board and Executive Committee compensation that will be held at our AGM in 2016. Shareholders will be asked to approve the total maximum amount of Board compensation for the period between the 2016 AGM and the 2017 AGM, as well as the total maximum amount of Executive Committee compensation for the fiscal year 2017.

Pursuant to Art. 14 and 15 of the OaEC, all compensation paid in 2015 to the members of the Board and the Executive Committee, and the outstanding loans, if any, granted to the members of the Board and the Executive Committee, have been disclosed in this report.

On behalf of Partners Group and the Nomination & Compensation Committee, I would like to thank you for your continued trust and support.

Yours sincerely,



Grace del Rosario-Castaño, Chairwoman of the Nomination & Compensation Committee

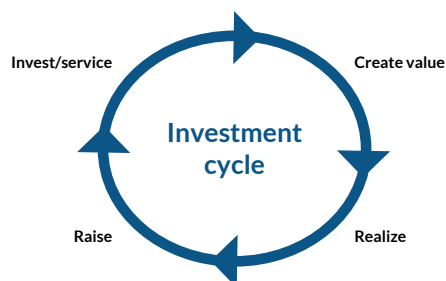
# Compensation report

## 1. Compensation philosophy & strategy

### 1.1. Aligning compensation with the firm's strategy

Partners Group's compensation framework supports the firm's business strategy and promotes a corporate culture that contributes to the company's sustained success, while adhering to its vision and values. The philosophy behind the compensation framework is based on the firm's aim of providing clients and their beneficiaries with superior and sustainable investment performance on a mid- to long-term basis. Our key target is to realize the full development potential of the companies, real estate and infrastructure assets we invest in on behalf of our clients. Active value creation is a core element of meeting the return expectations of our clients. Once our value creation objectives have been achieved during the holding period, we aim to realize returns for our investors by selling our interest in the asset. Simultaneously, we seek new capital to conduct new investments and, in turn, create value in these.

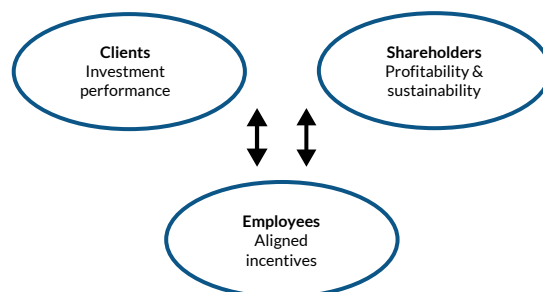
#### Exhibit 1: Partners Group's investment cycle



#### Creating a win-win situation

In order to best combine the interests of clients and shareholders with those of the firm's employees, Partners Group's compensation framework includes significant long-term incentive components which allow the firm and its employees to participate in investment success alongside clients.

#### Exhibit 2: Aligning interests of clients, shareholders and employees



#### Clients

We actively listen to our clients to understand their needs and build trusted, long-term relationships. Our aim is to provide tailored private markets portfolio solutions that enable them to achieve superior investment performance and benefit from market-leading client servicing. Clients honor their trust through continued commitments to Partners Group's investment vehicles.

#### Shareholders

We strive for attractive financial returns and for a premium valuation to honor our shareholders' long-term confidence in our firm. Partners and employees hold a significant ownership in Partners Group and thus are aligned with external shareholders' interests.

#### Employees

We attract talented individuals who are committed to our purpose and values and help them to develop so that they perform at their best. Together we create a demanding and rewarding environment throughout our firm. Senior professionals are incentivized to participate in delivering superior investment performance to clients through their eligibility for compensation derived from the future performance fees earned by Partners Group's investments. The compensation framework provides an attractive long-term wealth creation opportunity for high-performing professionals and reflects Partners Group's "one firm" approach, which draws compensation awards from a blend of performance fee pools across different asset classes (equity, real estate, debt and infrastructure) or investment strategies (directs, secondaries and integrated).

# Compensation report

## 1.2. Measuring 2015 company performance

Partners Group plots its growth and development against a set of yearly and longer term goals. Based on its long-term strategy, the firm's goals for 2015 included several projects aimed at further increasing its investment capacity and ability to create value in its portfolio companies, and realize returns for its clients. The firm also includes investment- and client-related qualitative goals in its annual measurement system. All goals need to be achieved alongside the overarching goal of positive financial performance of the EBITDA relative to its target in a given fiscal year.

## 1.3. 2016 compensation outlook

The 2016 compensation system for senior management members will remain the same as the 2015 system. As a global private markets investment manager, we value our long-term approach to investing, since it enables us to optimize value creation for all stakeholders. We value a similar long-term approach when it comes to employee compensation. Based on this commitment, the general philosophy behind Partners Group's compensation policy remains unchanged.

### Exhibit 3: Performance measures for clients, shareholders and employees

Quantitative goals	Results	Assessment		
		Lower	Plan	Higher
Raise	EUR 8.4 billion	<div><div></div></div>		
Invest	USD 9.7 billion	<div><div></div></div>		
Create value	Initiation of value creation projects	<div><div></div></div>		
Realize	CHF 64 million performance fee	<div><div></div></div>		
EBITDA development	+6%	<div><div></div></div>		
EBITDA margin	59%	<div><div></div></div>		
Return on Equity	35%	<div><div></div></div>		
Qualitative goals	Aims	Assessment		
		Lower	Plan	Higher
Investments	Increase scale	<div><div></div></div>		
Client coverage	Grow client base	<div><div></div></div>		
Client services	Innovate	<div><div></div></div>		
Partners Group Charter	Adhere	<div><div></div></div>		

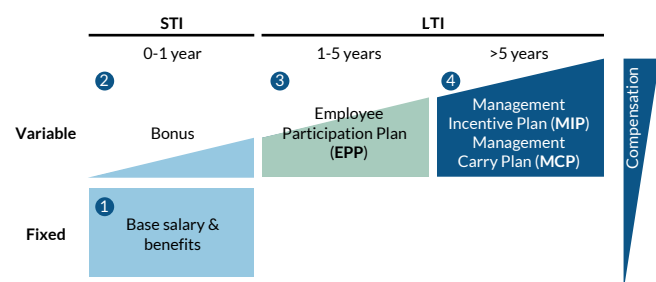
# Compensation report

## 2. Compensation components

Partners Group's compensation framework is structured around short-term and long-term compensation components that are weighted differently in the overall compensation package depending, among others, on the function, level of experience and contribution of an individual employee. Partners Group uses the following compensation components as outlined in Exhibit 4:

- Short-term incentives (STI): base salary & benefits, bonus payments
- Long-term incentives (LTI): Equity Participation Plan (EPP), Management Incentive Plan (MIP), Management Carry Plan (MCP)

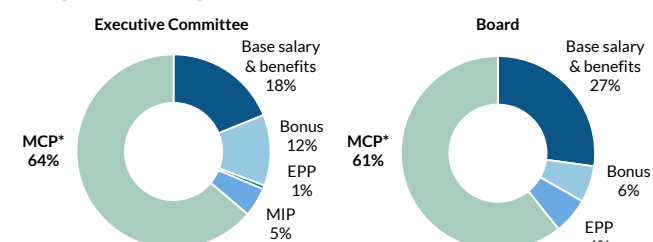
**Exhibit 4: Compensation components (2015)**



With an increasing level of seniority, a larger part of the total compensation package is variable and tied to long vesting periods. This is intended to ensure strong alignment of the interests of employees with those of clients and shareholders.

By overweighting long-term compensation components (EPP, MIP and MCP), Partners Group's compensation framework should encourage responsible and sustainable decision-making on the part of the Board and Executive Committee and discourage short-term risk-taking. In 2015, over two-thirds of the total compensation of the Executive Committee and of the Board was tilted towards such components.

**Exhibit 5: 2015 Executive Committee and Board compensation split**



\*Figures above are presented for illustrative purposes only to increase transparency. Actual values depend on the future performance of the investments attributable to the financial year 2015.

### 2.1. Short-term incentives (STI)

#### 2.1.1. Base salary & benefits

Partners Group strives to provide a solid base salary for all employees, which is based on an individual's role and level of responsibility for the upcoming year. At the very senior level, base salaries are typically only adjusted meaningfully with a change of role. Base salaries are typically paid on a monthly basis and are reviewed annually.

The primary purpose of benefits such as pension and insurance plans is to establish a level of security for employees and their dependents with regard to the major economic risks of sickness, accident, disability, death and retirement. The level and scope of pension and insurance benefits provided is country-specific and influenced by local market practice and regulations.

#### 2.1.2. Bonus

The bonus payment is a variable short-term cash incentive. It is awarded at year-end based on the financial bonus pool budget set by the Nomination & Compensation Committee. This budget considers the overall success of the firm in the respective year, and specifically the development of the company's year-end EBITDA relative to its target, as well as the realized performance fees which are not allocated to the Management Carry Program (see section 2.2.3). The bonus budget allocation for departments, teams and individuals depends on their contribution to the overall achievement of the firm's goals during the period. The criteria for evaluating individual employees are discussed in greater detail in section 3.2. Employees are typically notified of their bonus at year-end and receive bonus payments the following February.

### 2.2. Long-term incentives (LTI)

#### 2.2.1. Employee Participation Plan (EPP)

Partners Group has a long-term history of granting equity incentives to its professionals. These are awarded at year-end through its Employee Participation Plan (EPP). This plan aims to align employee interests with those of external shareholders. As in 2014, the 2015 EPP was a shares-only plan.

#### Link to strategy

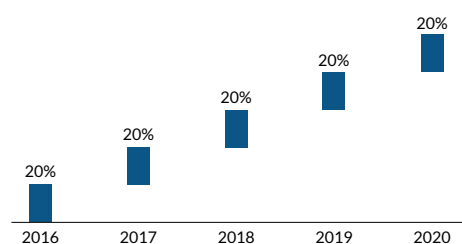
Combined, Partners and employees of Partners Group are significant shareholders of the firm and hold over 40% of the total share capital outstanding. Therefore, the interests of the firm's employees are strongly aligned with those of external shareholders. The EPP strengthens the alignment with these interests and fosters long-term thinking and actions and at the same time aims to support the firm's financial success.

# Compensation report

## Vesting parameters

The vesting of the 2015 EPP grants for senior professionals follows a linear model, with proportionate annual vesting every year for a five-year period following the award and contingent on their continued employment with Partners Group.

### Exhibit 6: 2015 EPP vesting parameters (shares) for senior professionals



The vesting parameters of EPP incentives are stringent. Any holder of unvested equity securities who leaves the firm has the obligation to render his or her unvested interest back to the company. Further information on Partners Group's equity incentive plan can be found in note 26 (b) to the consolidated financial statements included in the 2015 annual report.

## Dilution

There has been no dilution of Partners Group's share capital since the IPO in March 2006, as the firm holds treasury shares to provide shares for existing equity incentive programs. Furthermore, the treasury shares necessary to cover the granted non-vested shares have already been purchased by the firm.

## 2.2.2. Management Incentive Plan (MIP)

In 2015, next to the existing share-only Employee Participation Plan (EPP), the Board introduced a long-term option-only plan, the Management Incentive Plan (MIP). The newly introduced MIP targets select members of the current Executive Committee as well as a few select individuals in the senior management team who have significantly contributed to the firm's success in the past and who have the potential to do so in the future. The latter are expected to represent the next generation of leaders in the firm. The MIP is by invitation only and intends to reward a small number of senior professionals with smaller shareholdings compared to their more senior colleagues.

### Link to strategy

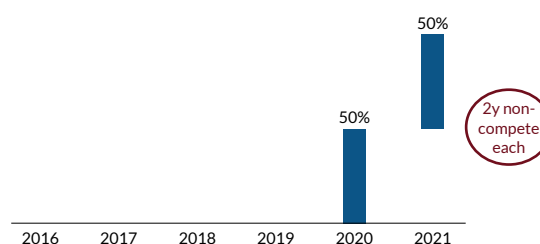
The MIP aims to significantly strengthen the alignment of senior employees' interests with those of shareholders and promote a culture of entrepreneurship. This, in turn, should foster the firm's business activities and long-term financial success. It should also give participants the opportunity to build a substantial equity ownership in the firm. This, in turn, serves as a material commitment and retention tool.

## Vesting parameters

The vesting of these 2015 option grants for senior management follows a five-year (50% of grant) and six-year (50% of grant) cliff-vesting model and features a strike price set substantially above the share price when granted. In addition, the plan foresees a two-year non-compete post vesting agreement.

Any holder of unvested equity securities leaving the firm has the obligation to render his or her unvested interest back to the company. Further information can be found in note 26 (b) to the consolidated financial statements included in the 2015 annual report.

### Exhibit 7: General MIP vesting parameters (options) for senior professionals





# Compensation report

## 2.2.3. Management Carry Plan (MCP)

In 2010, Partners Group launched a dedicated performance fee-related compensation program, the Management Carry Plan (MCP), whereby a percentage of the potential future performance fees from investments is allocated to senior professionals. The MCP was designed as a long-term incentive plan which aligns the rewards for the firm's professionals with investment performance and the firm's overall financial success.

### Link to strategy

Partners Group aims to provide clients and their beneficiaries with superior and sustainable investment performance on a mid- to long-term basis. Investment professionals across the firm seek out those investment opportunities which offer the best relative value in the prevailing market conditions in order to generate attractive returns for clients.

The MCP is linked to investment success and is the largest potential contributor to wealth creation for senior professionals. The link between the plan and the firm's strategy is straightforward: if value creation in clients' portfolios is strong, investment performance for clients should improve, resulting in a higher amount of performance fees, of which senior professionals receive a predefined pro-rata stake. On the other hand, should there be limited value creation in client portfolios during the holding period of an investment, senior professionals receive a significantly lower payment (or even nothing at all) from their pro-rata stake in performance fees.

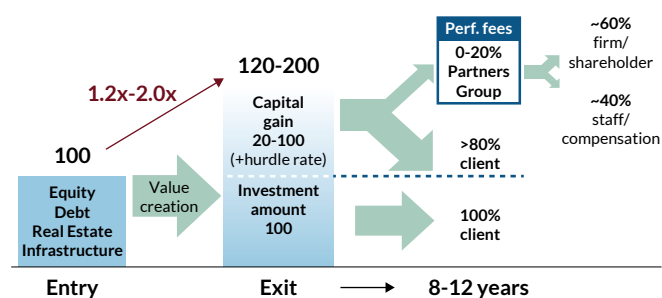
The majority of senior executives receive an MCP grant from the general global private markets pool. This performance fee sharing across different business departments promotes Partners Group's integrated investment approach, according to which every professional is incentivized to contribute to investments in every asset class, and not solely in the asset class or function they primarily focus on.

## How the MCP works

At the end of every year, MCP participants are granted the right to receive a certain percentage of future performance fees from the investments made during this respective year. Participants in the 2015 MCP were granted the right to receive a pro-rata stake of the future potential performance fees from investments made between Q4 2014 and Q3 2015 ("2015 MCP"). MCP grants are expressed in US dollars.

Typically, MCP awards are paid out to recipients once investments from the relevant MCP period have been realized (exited) and the hurdle rate agreed with the firm's clients has been cleared (i.e. the client has already achieved a certain predefined minimum return, typically 8% p.a.). This means it normally takes 8-12 years from the point of MCP grant until the full payout is received. Investment outcomes depend on many variables and are impossible to precisely predict over such a long timeframe. For this reason, the final cash figures paid to recipients can vary substantially between zero in a worst case scenario and an amount higher than anticipated in the case of strong outperformance against the investment case originally underwritten. An illustrative example of how performance fees are shared between clients, the firm and professionals is shown below:

### Exhibit 8: Performance allocation between clients, the firm and staff (illustrative example)



**"Worst case":** should no performance fees be generated from investments made in 2015, due to an investment performance resulting in returns lower than predefined hurdle rates, then there will be no MCP payments to professionals or to the firm.

**"Base case":** any scenario better than the "worst" case assumes that performance fees will be generated in the future. ~40% of each US dollar in performance fees earned from investments made in 2015 is paid out to 2015 MCP plan participants. The firm and its shareholders receive the remaining ~60%.

It is important to note that Partners Group's clients will, in any scenario, be the principal beneficiaries of the returns generated in the underlying private markets portfolios.

# Compensation report

## Strong correlation between the amount and quality of investments and MCP grants to the team

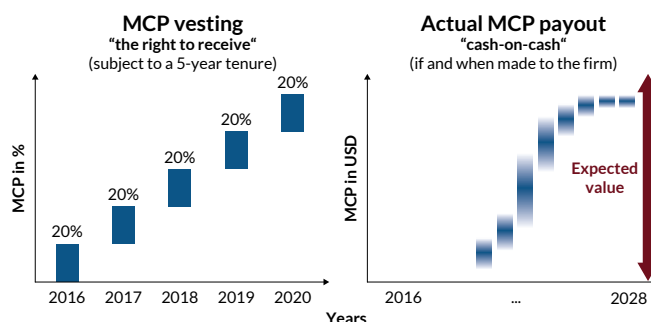
There is a strong correlation between the performance fee potential and the total amount invested as well as the quality of investments made in a given year. Both factors influence the generation of future performance fees and therefore the total potential amount of MCP distributable to the team.

With regard to the investment amount, generally, a year with a higher investment amount leads to a higher amount of potential MCP. In contrast, a year with a lower investment amount leads to a lower amount of potential MCP. With regard to the quality of investments, the firm's investment teams focus on the most attractive opportunities in the prevailing market conditions and on value creation potential within the firm's investments. Assuring investment quality is of utmost importance as low-quality investments can destroy MCP potential. As a result, the overall MCP is designed to seek the balance between the amount invested and the level of quality. This balance enables the firm and its professionals to realize full return potential for their clients and should generate the optimum level of future performance fees for the firm, its shareholder and its professionals.

## Vesting parameters

MCP vesting parameters and actual cash payments to employees can deviate in terms of timing and nominal amount. With regard to the timing, while the MCP grants (i.e. the right to receive an estimated nominal MCP amount) vest linearly over a period of five years, subject to a minimum five-year tenure for employees, the actual MCP amount (i.e. "cash-on-cash") received by the individual professional depends on the performance of the underlying investments in the given grant year and materializes over the next 8-12 years. With regard to the amount, the actual MCP amount received by the individual professional after 8-12 years can be higher than the originally anticipated nominal amount in the case of consistent investment performance above underlying assumptions, or lower than the originally anticipated nominal amount in the case of lower investment performance. In the worst case scenario it can be zero.

## Exhibit 9: Vesting of MCP grants vs. actual MCP payments



If an employee leaves Partners Group, all of his/her unvested MCP grants are returned to the company, thereby encouraging employees to remain with the firm over the long term.

## Example

An employee with relevant tenure has received a USD 1'000 payout from the 2015 MCP at year-end and decides to leave the firm two years later (i.e. 2017). This means that 2 x 20% (40% in total) of his/her right to receive this 2015 MCP grant has vested, although nothing has been paid out yet. As a result, the employee is entitled to receive USD 400 of the total 2015 MCP grant of the anticipated value of USD 1'000. However, MCP awards can typically only be paid out to recipients once the investments are realized. It can take approximately 8-12 years from the point of MCP grant until payouts are received, depending on the timing of the exit of the underlying investment. Investment outcomes depend on many variables and are impossible to predict over such a long timeframe. For this reason, the actual amount of the 40% vested right to receive MCP can substantially vary between zero in a worst scenario and an amount higher than anticipated (USD >400) in the case of stronger than expected outperformance.

## Payouts received from MCP grants to-date

The underlying portfolios which have determined MCP pools since 2010 are performing at or above plan. However, these pools are still in the value creation phase and have therefore not yet generated meaningful performance fees and payouts. As such, the actual payout to professionals has been significantly less than the grant value employees received between 2010 and 2015.

# Compensation report

## 2.3. Prospective vs. retrospective voting

With the introduction of the Ordinance against Excessive Compensation in listed joint stock companies ("OaEC") of the Swiss Federal Council, new rules on corporate governance were issued that have a direct impact on executive management, shareholders and independent proxies. One of these rules gave companies the choice of introducing either a retrospective or a prospective voting system, or a combination of the two. According to Partners Group's articles of association, each year shareholders must approve the Board's proposals for the maximum total compensation paid to the Board for the period until the next Annual General Meeting, as well as the maximum total compensation paid to the Executive Committee for the following fiscal year. Our shareholders have therefore agreed to a prospective voting system both for fixed (mostly short-term) and variable (mostly long-term) compensation components.

We believe a prospective voting system provides the necessary legal security with respect to certain short-term compensation components for the Board and Executive Committee (particularly with regard to fixed salaries). We also believe that a prospective voting mechanism is favorable for our largest and most long-term variable compensation component, the MCP, as cumulated payments to recipients over time can substantially vary between zero in a worst case scenario and an amount higher than anticipated in the case of strong outperformance. Due to these significant payout bandwidths, we base our future payout assumptions on different scenarios (high-, base- and worst-case). Each scenario is built on certain assumptions and quantifies the expected future payout. Given the fact that budget requests at AGMs require shareholder approval, we request approval of MCP compensation budgets which take all cases into account, including the unlikely event of a high-case scenario. Due to the fact that the anticipated payout is many years ahead, retrospective voting would not be able to provide better budget accuracy. For the sake of simplicity, consistency and comparability, we therefore decided to vote prospectively on our total compensation and endeavor to provide shareholders with a transparent set of assumptions for the 2015 MCP payout assumptions. Sections 5 & 6 in this report give a detailed explanation of the compensation structure for the Executive Committee and the Board, including their 2015 MCP grants.

# Compensation report

## 3. Linking pay to individual performance

### 3.1. Compensation principles

When making compensation decisions, Partners Group's Nomination & Compensation Committee follows these guiding principles, which apply to all employees:

- **Compensation follows contribution:** Partners Group has a unique business model and operates as one global firm, albeit with differentiated business lines and functions. Therefore, the main drivers for the variable compensation elements in the firm's compensation framework are relative to individual and team performance and contributions, as well as to Partners Group's overall achievements.
- **Equal opportunity and non-discrimination:** Partners Group is an equal opportunity employer and does not discriminate against employees on the basis of age, gender, nationality, or any other basis that is inconsistent with our guiding values. The firm is committed to a "pay for performance" and "fair pay" policy and also systematically conducts equal pay analyses across departments and regions.
- **Compensation is no substitute for talent development:** as in any investment firm, compensation is an important pillar of governance and leadership. It is, however, no substitute for a caring culture, for non-material ways of recognizing individual achievements and for helping the development of the firm's human capital.

### 3.2. Individual performance measurement

The Nomination & Compensation Committee generally assesses performance based on the overall firm's and individuals' quantitative and qualitative achievements. Once company goals have been set, they are cascaded down to departments, teams and individuals. Individual goals differ depending on an employee's level of responsibility and may incorporate additional targets with a greater focus on investment-, client-, operations- and service-related activities or on introducing new business initiatives. The degree to which an individual has achieved these quantitative goals provides an overall rating and serves as an input for the nomination and compensation review at year-end.

#### 3.2.1. PDP, PPP and Performance Summary

Partners Group cascades the firm's overall quantitative targets down to individuals through its Personal Planning Process (PPP). Individual development is evaluated qualitatively meanwhile through the firm's Personal Development Process (PDP), a 360° feedback program. The Performance Summary evaluates individual performance based on quantitative output, quality of work, team contribution, integrated business-building and corporate matters.

#### PPP

The PPP is a goal-setting and measurement system used to better plan an individual's work priorities throughout the year and to evaluate individual performance. Corporate goals are set in January and broken down into departmental goals, team goals and individual goals. An interim assessment of progress is conducted mid-year, while full-year achievements are measured in a year-end review.

#### PDP

The PDP is a 360° feedback process that focuses on the personal development of employees over time and feeds into the Performance Summary assessment. The dimensions measured are qualitative and are based on Partners Group's Charter ([www.partnersgroup.com/en/about/our-charter/](http://www.partnersgroup.com/en/about/our-charter/)), placing particular emphasis on leadership capabilities within the firm's senior management team.

#### Performance Summary

The Performance Summary measures individuals according to the dimensions listed in Exhibit 10, based on their PPP and PDP results. Each individual is rated according to his/her performance in each field ranging from (4) to (1), with each rating representing the following: (4) overachieved goals, (3) achieved goals, (2) achieved part of the goals and (1) underperformed.

#### Exhibit 10: Performance Summary

What we value	Observed behaviour
Productivity/output	Fulfillment of quantitative goals
Quality of work	Accuracy; best practice work quality
Team contribution	Measurements of special efforts and accomplishments in the team
Integrated business building	Contribution to support other businesses
Corporate matters	Compliance & other corporate matters

# Compensation report

Depending on the function, level and responsibility of a professional, and on the average Performance Summary weighting they receive, their variable compensation can either be adjusted to the positive, to the negative or remain neutral relative to their peers.

The PPP, PDP and Performance Summary serve as inputs for the Executive Committee and Board in their nomination and compensation review at year-end and set the framework for compensation discussions. However, overall compensation bandwidths set by this framework are not intended to be applied in a purely mechanical manner. Senior management applies an appropriate degree of discretion according to a “judgment supersedes” formula where warranted. This discretion considers factors which may not have been sufficiently reflected by the Performance Summary (e.g. operational or business impact through special assignments or cross-departmental efforts).

## **3.2.2. Bonus-malus system**

Compensation for senior professionals is also subject to “malus” and “clawback” rules. This means that the Nomination & Compensation Committee and the Board, respectively, may decide not to pay any unpaid or unvested incentive compensation (malus) or seek to recover incentive compensation that has been paid in the past where the pay-out has been proven to conflict with applicable laws and regulations.

# Compensation report

## 4. Compensation governance

### 4.1. Legal framework

The Swiss Code of Obligations as well as the Corporate Governance Guidelines of the SIX Swiss Exchange require listed companies to disclose information about the compensation of members of the Board and Executive Committee, about their equity participation in the firm and about any loans made to them. This annual report fulfills that requirement. In addition, this annual report is in line with the principles of the Swiss Code of Best Practice for Corporate Governance of the Swiss Business Federation (economiesuisse).

### 4.2. Compensation decision-making authorities

Compensation allocation is an important and challenging governance and leadership task. As such, Partners Group's Board assigns the Nomination & Compensation Committee with the task of carrying out a systematic process on an annual basis. The Committee has combined responsibilities for "nomination" and "compensation" proposals, as both are an integral and closely linked part of a typical compensation consideration. The nomination process ensures the assessment of individuals based on their contribution to the firm's success as well as on their potential for development, while the compensation process ensures the respective adjustments to compensation based on functions, responsibilities and performance. The combination of the nomination and compensation processes into one committee should ensure a seamless transition between a professional's development and compensation.

The Nomination & Compensation Committee fulfills the duties set out for it in the firm's articles of association. In particular, the Committee oversees the firm's compensation structure in order to ensure adherence to Partners Group's strategy, culture and to recognized best practices. It reviews compensation proposals by the Executive Committee to ensure they comply with determined principles and performance criteria and evaluates their consistency with the firm's values, such as "fair pay" and "pay for performance". It advises and supports the Board and the Executive Committee with regard to firm-wide promotions, leadership development measures and succession planning. It submits nomination and compensation motions and recommendations to the Board and is also responsible for the preparation of this compensation report.

### 4.3. Committee members

As of 31 December 2015, the members of the Nomination & Compensation Committee were Grace del Rosario-Castaño (Chair), Steffen Meister and Dr. Peter Wuffli. According to the independency criteria outlined in our corporate governance report (section 3), Grace del Rosario-Castaño and Dr. Peter Wuffli are independent members and Steffen Meister is a non-independent member. While the constitution of the Nomination & Compensation Committee, together with its independent Chair, make it an independent Committee overall, it also receives a more comprehensive insight into the firm through the membership of a non-independent Board member. All members were elected by shareholders for a one-year tenure with the possibility of re-election.

### 4.4. Committee meetings held in 2015

In the first quarter of a fiscal year, the Nomination & Compensation Committee agrees on and proposes the compensation report to the Board. Overall, the Committee typically holds two meetings in a fiscal year, one in the third and one in the fourth quarter. In 2015, the Nomination & Compensation Committee held one additional meeting in the second quarter to ensure a seamless transition of the Chair responsibility from Dr. Wolfgang Zürcher to Grace del Rosario-Castaño.

The Committee typically first meets in the third quarter of every year to set the framework and provide guidelines for the overall compensation strategy and promotions for that year. Specifically, it confirms the overall financial budget for the base and variable compensation components for the current year, as well as the salary increases for the subsequent year based on overall financial budgets approved by the Board. It also confirms overall budgets for EPP, MIP and MCP, and defines guidelines for the allocation of these plans. In doing so, it takes the overall budget and forecast for the current and following year into consideration, along with the progress of Partners Group's investment activities. The proposal for Executive Committee and Board member compensation is made within the bounds of the compensation budget proposed at the relevant shareholder AGM.

# Compensation report

Once these overarching parameters have been defined, the Executive Committee and business department heads prepare suggestions for individual allocations from the overall budget and define the candidates for promotion. These proposals are then presented to the Nomination & Compensation Committee for further discussion in the second meeting in the fourth quarter of every year. In this meeting, the Nomination & Compensation Committee reviews the overall compensation and promotion schedule and makes a final proposal to the full Board for final ratification. Partner- and Managing Director-level promotions and compensation are ratified individually. Compensation authorities are summarized below.

## Exhibit 11: Compensation authorities

Level	Proposal	Approval
Chairman of the Board of Directors	Chair of the NCC	Board of Directors decides
Members of the Board of Directors	NCC	
Co-CEOs		
Executive Committee	Delegate and Co-CEOs	NCC approves, Board of Directors ratifies
Other professionals	Executive Committee	

# Compensation report

## 5. 2015 Executive Committee compensation

The Executive Committee's performance is assessed by the Board. The annual compensation of the members of the Executive Committee, except for the Co-CEOs, is proposed by the Delegate of the Board together with the Co-CEOs and approved by the Nomination & Compensation Committee and ratified by the Board, respectively. The Co-CEOs' compensation is proposed by the Nomination & Compensation Committee and decided by the Board. All proposals are subject to the approval of shareholders at the AGM.

### 5.1. 2015 performance assessment

The Nomination & Compensation Committee reviewed the 2015 performance target of the Co-CEOs and other Executive Committee members against their individual 2015 quantitative and qualitative performance results. The weighting between the performance of the firm, its business division and functional performance indicators varies depending on an Executive Committee member's role in the firm. The degree to which an individual has achieved his or her quantitative goals, coupled with an assessment of performance against qualitative goals, provides an overall rating (a detailed description of the individual performance assessment is given in section 3.2). This sets the frame within which the Nomination & Compensation Committee can exercise its judgment for Executive Committee members' annual remuneration. Exhibit 12 provides an overview of the quantitative and qualitative performance indicators for the Co-CEOs as representatives of the overall Executive Committee.

#### Exhibit 12: Performance measures for the Co-CEOs

Quantitative goals	Results	Assessment
		Lower Plan Higher
Raise	EUR 8.4 billion	<div><div></div></div>
Invest	USD 9.7 billion	<div><div></div></div>
Create value	Initiation of value creation projects	<div><div></div></div>
Realize	CHF 64 million performance fee	<div><div></div></div>
EBITDA development	+6%	<div><div></div></div>
EBITDA margin	59%	<div><div></div></div>
Return on Equity	35%	<div><div></div></div>
Qualitative goals	Aims	Assessment
		Lower Plan Higher
Investments	Increase scale	<div><div></div></div>
Client coverage	Grow client base	<div><div></div></div>
Client services	Innovate	<div><div></div></div>
Partners Group Charter	Adhere	<div><div></div></div>

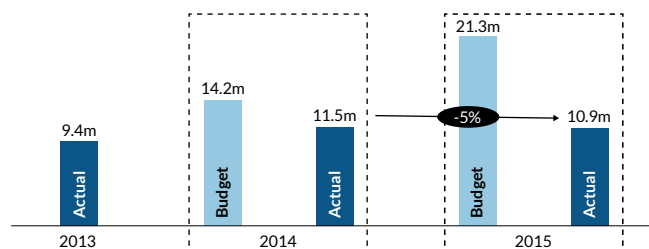
### 5.2. Compensation in 2015

Although Partners Group received record new commitments (EUR 8.4 billion) from its global client base in 2015 and invested a total of USD 9.7 billion on behalf of its clients in attractive corporate, real estate and infrastructure assets, the firm's financial results were tempered by the strengthening of the Swiss franc against other currencies during the reporting period. The flattish development of the cash and equity compensation was a reflection of the 2015 EBITDA development relative to the previous year. A detailed overview of this and of the overall compensation paid to the Executive Committee in 2015 and 2014 is outlined in Exhibits 16 and 17, respectively.

#### Compensation in cash and equities

The cash and equity compensation paid to the Co-CEOs and other Executive Committee members in 2015 remained within the approved 2015 compensation budget. Their cash and EPP/ MIP compensation decreased by 5%, amounting to CHF 10.9 million (2014: CHF 11.5 million) and was below the maximum budgeted threshold of CHF 21.3 million as approved at the 2014 AGM.

#### Exhibit 13: Approved cash & equity securities compensation budget of the Executive Committee



The 2015 base salaries and benefits remained flat and amounted to CHF 5.6 million (2014: CHF 5.5 million). Bonus payments decreased by 16%, amounting to CHF 3.7 million (2014: CHF 4.4 million).

The overall equity grant to the Executive Committee also remained flat and amounted to CHF 1.7 million (2014: CHF 1.7 million). It was tilted towards MIP grants for select Executive Committee members. The MIP is explained in more detail in section 2.2.2. Information on Partners Group's equity incentive plan can be found in note 26 (b) to the consolidated financial statements included in the 2015 annual report.

#### 2015 MCP grants

A separate budget was approved for Executive Committee members with regard to MCP grants, relating to future performance fees from investments attributable to the



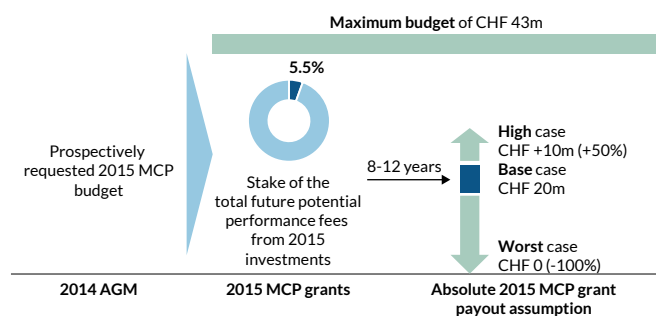
# Compensation report

relevant 2015 period. The 2015 MCP grant remained within the approved 2015 compensation budget and represents a percentage of the 2015 total performance fee pool which amounts to 5.5% (2014: 6.2%). This proportion is fixed and will limit executives' pay stemming from 2015 MCP grants to 5.5% of the total performance fee pool for 2015. In other words, 5.5% of every future US dollar in of performance fees stemming from 2015 investments will be granted to the Executive Committee and its individuals.

Typically, it can take 8-12 years from the point of MCP grant allocation until the full payout is received, depending on the duration of the underlying investment. Cumulated payments to recipients over time can substantially vary between zero in a worst-case scenario and an amount higher than anticipated in the case of strong outperformance. For illustrative purposes only and to increase transparency, the 2015 MCP program is expected to remain within the following bandwidths: for each 1% of the performance fee pool allocation, Partners Group expected a payout range of CHF 0 to CHF 5.4 million and used CHF 3.6 million as a base-case scenario. In the anticipated base case, this translates into a combined payout assumption of CHF 19.8 million (2014: CHF 20.3 million) to the Executive Committee. In a high-case scenario, the combined payout assumption increases and translates into CHF 29.7 million (2014: CHF 30.5 million).

Thus, the maximum budgeted threshold of CHF 43 million as approved at the 2014 AGM for the 2015 MCP grants to the Executive Committee remains sufficient to provide the necessary flexibility to cover 2015 MCP payouts even in a high-case scenario, where payouts exceed the base-case payout assumption. This will only be the case if the value creation in clients' portfolios is stronger than expected (i.e. if the investment performance for clients is higher than originally underwritten).

## Exhibit 14: 2015 MCP grants (actual vs. budget) of the Executive Committee



## Cumulated MCP payouts since 2010

The underlying portfolios which have determined MCP pools since 2010 are performing at or above plan. However, these pools are still in their value creation phase and have therefore not yet generated meaningful performance fees and payouts. As such, the actual payout to Executive Committee members has been significantly less than the grant values received between 2010 and 2015.

## Compensation ratios

The ratio of the Executive Committee members' variable compensation components (bonus and EPP/MIP, excl. MCP) compared to its base compensation ranged from 47% to 238% in 2015 (2014: 33% to 171%), illustrating varying compensation levels among individual Executive Committee members in line with Partners Group's performance evaluation outlined in section 3.

## 2016 AGM

During the 2015 AGM, Partners Group's shareholders voted on the proposed 2016 budget for the Executive Committee award pool. This year, at the 2016 AGM, Partners Group's shareholders will vote on the proposed 2017 Executive Committee award pool. The invitation to the 2016 AGM will set out the proposed aggregate amount.

## 5.3 Executive Committee members

In 2015, Partners Group's Executive Committee consisted of twelve members as outlined in Exhibit 15. Further details on Executive Committee members' professional history and education, including other activities and functions, can be found in the corporate governance report under section 4.

## The Executive Committee's share ownership

With a 6% combined ownership of Partners Group's total share capital, Executive Committee members are the largest internal shareholders next to Board members. They are thus highly aligned with external shareholder interests. A detailed overview of the share and option ownership held by individual members of the Executive Committee as of 31 December 2015 can be found in note 13 to the financial statement of Partners Group Holding AG in the 2015 Annual Report.

# Compensation report

## 5.4. Loans to the Executive Committee (audited)

Executive Committee members may apply for loans and fixed advances, subject to an internal review and approval process. As of 31 December 2015, no loans were outstanding to either current or former Executive Committee members or to a related party of a current or former Executive Committee member.

## 5.5. Employee contracts (audited)

Employee contracts have no special provisions such as severance payments, “golden parachutes”, reduced stock and/or options and MCP vesting periods etc. in place in case of the departure of an Executive Committee member. Individual settlements will always be subject to the review of the Co-CEOs and the Nomination & Compensation Committee. Partners Group did not make any such payments to current Executive Committee members in 2014 and 2015.

## 5.6. Bonus-malus system

Long-term compensation awarded to members of the Executive Committee is also subject to “malus” and “clawback” rules. This means that the Nomination & Compensation Committee and the Board, respectively, may decide not to pay any unpaid or unvested incentive compensation (malus) or may seek to recover incentive compensation that has been paid in the past where the pay-out has been proven to conflict with applicable laws and regulations.

## Exhibit 15: Composition of the Executive Committee and functions of its members

Name	Joined Partners Group in	Nationality	Age	Position
André Frei	2000	Swiss	40	Co-Chief Executive Officer and Head Clients <sup>1)</sup>
Christoph Rubeli	1998	Swiss	54	Co-Chief Executive Officer and Co-Head Investments
Claude Angéloz	2000	Swiss	48	Co-Head Private Real Estate
Andreas Baumann	2003	Swiss	43	Head Integrated Investments
René Biner	1999	Swiss	45	Co-Head Investments and Co-Head Private Debt <sup>2)</sup>
Felix Haldner	2001	Swiss	52	Head Investment Structures
Andreas Knecht	2009	Swiss	46	Chief Operating Officer and General Counsel <sup>3)</sup>
Marlis Morin	2003	Swiss/Italian	45	Head Client Services
Stefan Näf	2003	Swiss	42	Head Investment Solutions
Dr. Stephan Schäli	1999	Swiss	47	Co-Head Private Equity <sup>4)</sup>
Dr. Michael Studer	2001	Swiss	43	Chief Risk Officer and Head Investment Services
Dr. Cyrill Wipfli	2002	Swiss	42	Chief Financial Officer

<sup>1)</sup> Head Clients as of 1 January 2016.

<sup>2)</sup> Co-Head Private Debt as of 1 January 2016.

<sup>3)</sup> Chief Operating Officer as of 1 January 2016.

<sup>4)</sup> Head Private Equity until 31 December 2015 and Co-Head Private Equity as of 1 January 2016.

# Compensation report

## Exhibit 16: Executive Committee compensation 2015 (audited)

In thousands of Swiss francs							2015
	Base compensation (cash)	Variable compensation (cash bonus)	Other compensation <sup>1)</sup>	Options/shares	Subtotal cash and equity <sup>2)</sup>	MCP in %	MCP <sup>3)</sup>
<b>Executive Committee</b>							
André Frei, Co-Chief Executive Officer	500	500	99	500	1'599	0.7%	2'502
<b>Total Executive Committee</b>	<b>4'745</b>	<b>3'657</b>	<b>827</b>	<b>1'700</b>	<b>10'929</b>	<b>5.5%</b>	<b>19'827</b>

<sup>1)</sup> Amounts include payments by Partners Group for pension and other benefits.

<sup>2)</sup> Amounts include payments of all Group entities.

<sup>3)</sup> Figures above are presented for illustrative purposes only to increase transparency. Actual values depend on the future performance of the investments attributable to the financial year 2015. For the table above, for each 1% of carry pool allocation the Group assumed an expected payout range from TCHF 0 to TCHF 5'444 and used TCHF 3'629 as a base scenario for illustrative purposes. Amounts disclosed use average daily foreign exchange rates (i.e. CHF/USD).

## Exhibit 17: Executive Committee compensation 2014 (audited)

In thousands of Swiss francs							2014
	Base compensation (cash)	Variable compensation (cash bonus)	Other compensation <sup>1)</sup>	Options/shares	Subtotal cash and equity <sup>2)</sup>	MCP in %	MCP <sup>3)</sup>
<b>Executive Committee</b>							
André Frei, Co-Chief Executive Officer	450	550	105	150	1'255	0.7%	2'289
Christoph Rubeli, Co-Chief Executive Officer	450	550	103	150	1'253	0.7%	2'289
<b>Total Executive Committee</b>	<b>4'450</b>	<b>4'375</b>	<b>1'037</b>	<b>1'651</b>	<b>11'513</b>	<b>6.2%</b>	<b>20'324</b>

<sup>1)</sup> Amounts include payments by Partners Group for pension and other benefits.

<sup>2)</sup> Amounts include payments of all Group entities.

<sup>3)</sup> Figures above are presented for illustrative purposes only to increase transparency. Actual values depend on the future performance of the investments attributable to the financial year 2014. For the table above, for each 1% of carry pool allocation the Group assumed an expected payout range from TCHF 0 to TCHF 4'904 and used TCHF 3'269 as a base scenario for illustrative purposes. Amounts disclosed use average daily foreign exchange rates (i.e. CHF/USD).

# Compensation report

## 6. 2015 Board compensation

### 6.1. Compensation in 2015

The Board sets compensation for its members at a level that reflects individual responsibility and contribution as well as time allocated to the Board mandate. In principle, the Board can access the same compensation elements as the Executive Committee to support the alignment of interests with clients and shareholders. Partners Group does not believe that this compromises independent Board members' independency.

The cash and equity compensation of individual members of the Board has been set at the full discretion of the Board and is determined by the Nomination & Compensation Committee based on each member's role, responsibilities and assigned additional tasks. Partners Group outlines individual Board member compensation proposals as of the end of 2015 in Exhibit 18.

Members of the Board may receive higher annual compensation should they be assigned additional tasks and responsibilities, such as chairing a Board committee, or taking a more active role in the firm's ongoing business activities. Compensation for additional tasks may be paid either in cash or equity or through MCP grants.

#### Exhibit 18: 2015 Board member annual fee rate

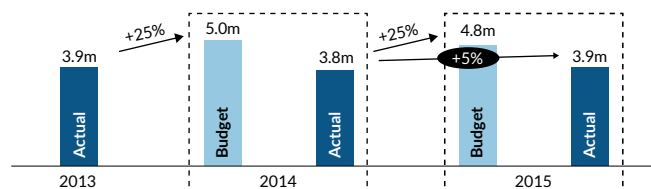
Function	Annual fee (CHF)
Chairman of the Board	250'000
Board membership	100'000
Chairing of a Board committee	+50'000
Significant contribution to the firm (e.g. investment- and client-related activities)	+>200'000

The Board reviews the compensation of its members, including the Chairman, each year based on a proposal by the Nomination & Compensation Committee. A detailed overview of the individual compensation components of all members of the Board in 2015 is outlined in Exhibits 23 and 24.

#### Compensation in cash and equities

For the calendar year 2015, the actual cash and equity compensation of the Board increased by 5%, amounting to CHF 3.9 million (2014: CHF 3.8 million) and was below the maximum budgeted threshold of CHF 4.8 million as approved at the 2015 AGM. The increase in cash and equity compensation reflects the outlined compensation (Exhibit 18) and considers the additional committee work for select individuals.

#### Exhibit 19: Approved cash & equity securities compensation budget of the Board



#### 2015 MCP grants

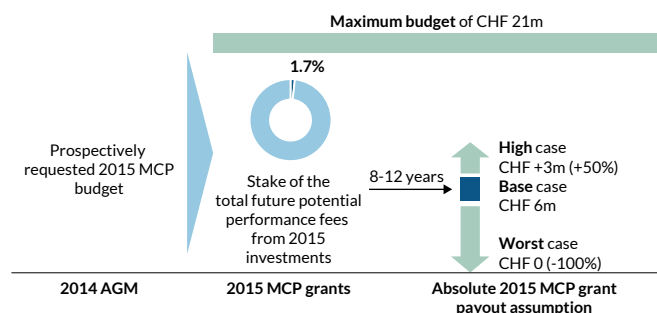
A separate budget was approved for Board members with regard to MCP grants. The 2015 MCP grant to those Board members with significant involvement in the firm beyond regular Board work represents 1.7% of the 2015 total performance fee pool (2014: 2.0%). This proportion is fixed and will limit respective Board members' pay stemming from 2015 MCP grants to 1.7% of the total performance fee pool for 2015. In other words, 1.7% of every future US dollar in performance fees stemming from 2015 investments will be granted to those select Board members who receive MCP grants.

Typically, it can take 8-12 years from the point of MCP grant allocation until the full payout is received, depending on the duration of the underlying investment. Cumulated payments to recipients over time can substantially vary between zero in a worst-case scenario and an amount higher than anticipated in the case of strong outperformance. For illustrative purposes only and to increase transparency, the 2015 MCP program is expected to remain in the following bandwidths: for each 1% of the performance fee pool allocation, Partners Group expected a payout range of CHF 0 to CHF 5.4 million and used CHF 3.6 million as a base-case scenario. This translates into a combined payout assumption in the anticipated base case of CHF 6.3 million (2014: CHF 6.4 million) to the Board. In a high-case scenario, the combined payout assumption increases and translates into CHF 9.4 million (2014: CHF 9.6 million).

Thus, the maximum budgeted threshold of CHF 21 million as approved at the 2014 AGM for the 2015 MCP grants to respective Board members remains sufficient to provide the necessary flexibility to cover 2015 MCP payouts even in a high-case scenario, a scenario where payouts exceed the base-case payout assumption of CHF 6.3 million. This will only be the case if the value creation in clients' portfolios is stronger than expected (i.e. if the investment performance for clients is higher than originally underwritten).

# Compensation report

## Exhibit 20: 2015 MCP grants (actual vs. budget) of the Board



## Cumulated MCP payouts since 2010

The underlying portfolios which have determined MCP pools since 2010 are performing at or above plan. However, these pools are still in their value creation phase and have therefore not yet yielded meaningful performance fees and payouts. As such, the actual payout to Board members has been significantly less than grant values received between 2010 and 2015.

## 2016 AGM

During the 2016 AGM, Partners Group's shareholders will vote on the maximum aggregate amount of remuneration for the Board, including compensation for the Chairman, for the period from the 2016 AGM to the 2017 AGM. The invitation to the 2016 AGM will set out the proposed aggregate maximum amount.

## 6.2. Board members

The Board is entrusted with deciding the ultimate strategy and direction of the company and with the supervision of the executive management. As of 31 December 2015, the Board consisted of nine members, five of whom are considered independent. All members were elected by shareholders for a one-year tenure with the possibility of re-election.

### Independency criteria

Further information on the criteria for Board member independence as well as the professional history and education of each Board member, including other activities and functions, such as mandates on the Boards of important corporations, organizations and foundations, or permanent functions for important interest groups, can be found in section 3 in the corporate governance report 2015. Based on the firm's annual evaluation process, Partners Group considers Charles Dallara, Eric Strutz, Patrick Ward, Peter Wuffli and Grace del Rosario-Castaño as independent members.

### Board members' share ownership

With a 31% combined ownership of total Partners Group share capital, the Board is the largest shareholder and therefore highly aligned with shareholder interests. A detailed overview of the share and option ownership held by individual members of the Board as of 31 December 2015 can be found in note 13 to the financial statement of Partners Group Holding AG in the 2015 Annual Report. Further information on duration, exercise price etc. of Partners Group's equity incentive plan can be found

## Exhibit 21: Composition of the Board and functions of its members

Name	Director since	Nationality	Age	Committee membership <sup>2)</sup>	Function
Dr. Peter Wuffli <sup>1)</sup>	2009	Swiss	58	SC, NCC, RAC	Chairman, Chair of the Strategy Committee
Dr. Charles Dallara <sup>1)</sup>	2013	American	67	MC	Executive Vice Chairman, Chairman of the Americas
Dr. Marcel Erni	1997	Swiss	50	SC	Chief Investment Officer
Alfred Gantner	1997	Swiss	47	SC, RAC	Chair of the Global Investment Committee
Steffen Meister	2013	Swiss	45	SC, NCC, MC	Delegate of the Board/President
Grace del Rosario-Castaño <sup>1)</sup>	2015	Philippine	52	NCC	Chair of the Nomination & Compensation Committee
Dr. Eric Strutz <sup>1)</sup>	2011	German	51	RAC	Chair of the Risk & Audit Committee
Patrick Ward <sup>1)</sup>	2013	British	62	MC	Chairman UK & Middle East
Urs Wietlisbach	1997	Swiss	54	MC, SC	Chair of the Markets Committee

Note: Dr. Wolfgang Zürcher was independent member of the Board until 13 May 2015; he retired from the Board after a tenure of ten years.

<sup>1)</sup> Independent Partners Group Board member in line with the independency criteria outlined in section 3.1 in the Corporate governance report.

<sup>2)</sup> SC: Strategy Committee, MC: Markets Committee, NCC: Nomination & Compensation Committee, RAC: Risk & Audit Committee  
Detailed information on committees is provided in section 3.5 in the Corporate Governance report.

# Compensation report

in note 26 (b) to the consolidated financial statements included in the 2015 annual report.

## 6.3. Loans to the Board (audited)

Members of the Board may apply for loans and fixed advances, subject to an internal review and approval process. Loans are made on substantially the same terms as those granted to other employees.

As of 31 December 2015, one loan to a Board member is outstanding (Exhibit 22). No loans are outstanding to former members of the Board or to a related party of a member of the Board.

## 6.4. Board contracts (audited)

Contracts with members of the Board have no special provisions such as severance payments, "golden parachutes", reduced stock and/or options and MCP vesting periods etc. in place in case of the departure of a Board member. Partners Group did not make any such payments to current members of the Board in 2014 and 2015.

### Exhibit 22: Outstanding loans in 2015 and 2014 to members of the Board (audited)

In thousands of Swiss francs	2015	2014
Name and function		
Dr. Charles Dallara, Executive Vice Chairman	59	108
<b>Total loans outstanding</b>	<b>59</b>	<b>108</b>

# Compensation report

## Exhibit 23: Board compensation 2015 (audited)

In thousands of Swiss francs						2015	
	Base compensation (cash)	Variable compensation (cash bonus)	Other compensation <sup>1)</sup>	Options/shares	Subtotal cash and equity <sup>2)</sup>	MCP in %	MCP <sup>3)</sup>
<b>Board of Directors</b>							
Dr. Peter Wuffli, Chairman	150	0	13	100	263	0.1%	481
Dr. Charles Dallara, Executive Vice Chairman	481	626	29	400	1'536	0.3%	962
Dr. Marcel Erni	300	0	61	0	361	0.3%	962
Alfred Gantner	300	0	72	0	372	0.3%	962
Steffen Meister	300	0	60	0	360	0.4%	1'444
Grace del Rosario-Castaño	100	0	9	50	159	-	-
Dr. Eric Strutz	100	0	9	50	159	-	-
Patrick Ward	300	0	25	0	325	0.1%	481
Urs Wietlisbach	300	0	64	0	364	0.3%	962
Dr. Wolfgang Zürcher <sup>4)</sup>	0	0	3	34	37	-	-
<b>Total Board of Directors</b>	<b>2'331</b>	<b>626</b>	<b>345</b>	<b>634</b>	<b>3'936</b>	<b>1.7%</b>	<b>6'254</b>

<sup>1)</sup> Amounts include payments by Partners Group for pension and other benefits.

<sup>2)</sup> Amounts include payments of all Group entities.

<sup>3)</sup> Figures above are presented for illustrative purposes only to increase transparency. Actual values depend on the future performance of the investments attributable to the financial year 2015. For the table above, for each 1% of carry pool allocation the Group assumed an expected payout range from TCHF 0 to TCHF 5'444 and used TCHF 3'629 as a base scenario for illustrative purposes. Amounts disclosed use average daily foreign exchange rates (i.e. CHF/USD).

<sup>4)</sup> Board member from 1 January 2015 until 13 May 2015.

# Compensation report

## Exhibit 24: Board compensation 2014 (audited)

In thousands of Swiss francs						2014	
	Base compensation (cash)	Variable compensation (cash bonus)	Other compensation <sup>1)</sup>	Options/shares	Subtotal cash and equity <sup>2)</sup>	MCP in %	MCP <sup>3)</sup>
<b>Board of Directors</b>							
Dr. Peter Wuffli, Chairman	150	0	13	100	263	0.1%	458
Dr. Charles Dallara, Executive Vice Chairman	463	590	43	400	1'496	0.3%	916
Dr. Marcel Erni	300	0	64	0	364	0.3%	916
Alfred Gantner	300	0	79	0	379	0.3%	916
Steffen Meister	300	0	59	0	359	0.4%	1'373
Dr. Eric Strutz	50	0	5	50	105	-	-
Patrick Ward	300	0	25	0	325	0.3%	916
Urs Wietlisbach	300	0	68	0	368	0.3%	916
Dr. Wolfgang Zürcher	50	0	5	50	105	-	-
<b>Total Board of Directors</b>	<b>2'213</b>	<b>590</b>	<b>361</b>	<b>600</b>	<b>3'764</b>	<b>2.0%</b>	<b>6'409</b>

<sup>1)</sup> Amounts include payments by Partners Group for pension and other benefits.

<sup>2)</sup> Amounts include payments of all Group entities.

<sup>3)</sup> Figures above are presented for illustrative purposes only to increase transparency. Actual values depend on the future performance of the investments attributable to the financial year 2014. For the table above, for each 1% of carry pool allocation the Group assumed an expected payout range from TCHF 0 to TCHF 4'904 and used TCHF 3'269 as a base scenario for illustrative purposes. Amounts disclosed use average daily foreign exchange rates (i.e. CHF/USD).



# Compensation report



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Report of the Statutory Auditor to the General Meeting of Shareholders of

**Partners Group Holding AG, Baar**

We have audited the accompanying Compensation Report of Partners Group Holding AG (sections 5.4 to 5.5 and exhibits 16 to 17 on pages 152-153 as well as sections 6.3 to 6.4 and exhibits 22 to 24 on pages 156-158) for the year ended 31 December 2015.

## *Board of Directors' Responsibility*

The Board of Directors is responsible for the preparation and overall fair presentation of the Compensation Report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

## *Auditor's Responsibility*

Our responsibility is to express an opinion on the accompanying Compensation Report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the Compensation Report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the Compensation Report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the Compensation Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## *Opinion*

In our opinion, the Compensation Report for the year ended 31 December 2015 of Partners Group Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Christoph Gröbli  
 Licensed Audit Expert  
 Auditor in Charge

Thomas Dorst  
 Licensed Audit Expert

Zurich, 9 March 2016

KPMG AG/SA, a Swiss corporation, is a subsidiary of KPMG Holding AG/SA, which is a member of the KPMG network of independent firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss legal entity. Member of EXPTAuisse



Cyrill Wipfli CFO | Alexander Ott Private Debt Europe

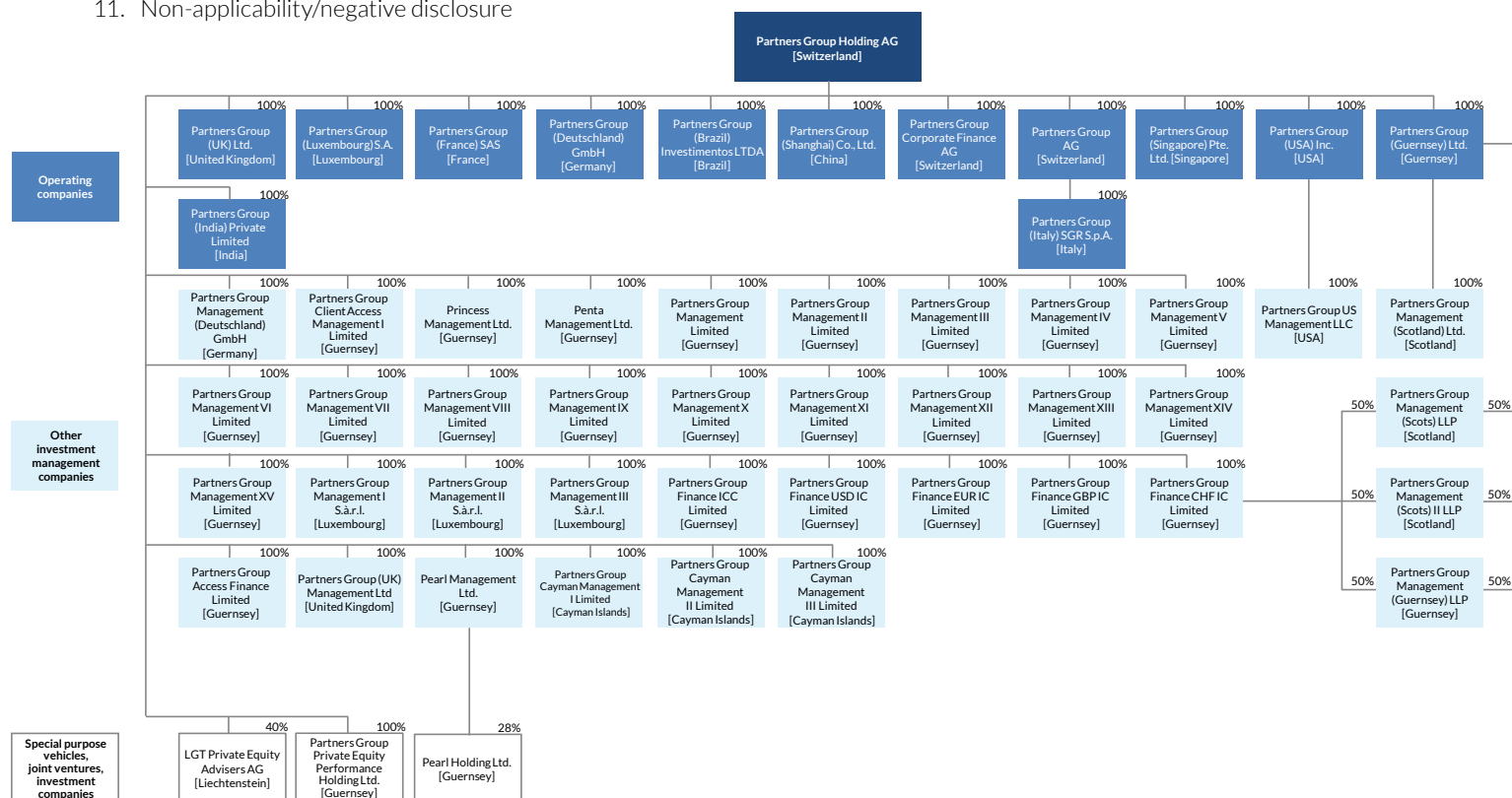
We are committed to meeting high standards of corporate governance and are convinced the governance structures and principles we have established will benefit the long-term stability of our firm. They remain a crucial component of our ability to realize the potential of private markets and deliver superior investment performance to our clients.

# Corporate governance report

Partners Group is committed to meeting high standards of corporate governance, with the aim of guiding the firm to further success. Partners Group bases its corporate governance on the “Swiss Code of Best Practice for Corporate Governance” issued by economiesuisse and on the “Directive on Information relating to Corporate Governance” issued by the SIX Exchange Regulation. With entities regulated in various jurisdictions, including the Swiss Financial Market Supervisory Authority (FINMA), the U.S. Securities and Exchange Commission (SEC) and the Financial Conduct Authority (FCA), 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 Committee
5. Global Executive Board
6. Compensation, shareholdings and loans
7. Shareholders’ participation rights
8. Changes of control and defense measures
9. Auditors
10. Information policy
11. Non-applicability/negative disclosure

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.



As of 31 December 2015. The purpose of the chart above is to provide an overview of the group structure of Partners Group Holding AG and its subsidiaries/affiliates. The ownership percentages reflected in the chart are meant for illustrative purposes and are rounded.

# Corporate governance report

## 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 above provides an overview of the group structure as of 31 December 2015.

#### 1.1.2 Listed companies belonging to the Group

Partners Group is a stock corporation incorporated under Swiss law with its registered office and headquarters at Zugerstrasse 57, 6341 Baar-Zug. The shares of Partners Group Holding are listed pursuant to the Main Standard on the SIX Swiss Exchange AG under the securities number 002460882 and ISIN CH0024608827. The market capitalization of the company as of 31 December 2015 was CHF 9.6 billion. All other group companies are privately held.

#### 1.1.3 Non-listed companies belonging to the Group

For more detailed information on the non-listed subsidiaries of the group, including names, domiciles, share capital and ownership interests, please see note 6 to the financial statements of Partners Group Holding in the annual report 2015.

### 1.2 Significant shareholders

Partners Group Holding has the following significant shareholders holding over 3% of the shares and voting rights of the company as of 31 December 2015.

On 3 December 2015, largest shareholders Dr. Marcel Erni and Messrs. Alfred Gantner and Urs Wietlisbach ("the founding partners") entered into a five-year derivative transaction. This derivative transaction concerns up to 4.1% of Partners Group's total share capital for each founding partner and involves so-called collars that expire on 17 June 2021. In order to coordinate the associated share transaction, the founding partners entered into an organized group, comprising 12.37% (4.12% each) of the total share capital. Within this group, each member entered into a separate collar transaction, with Morgan Stanley & Co. International plc as counterparty, involving the purchasing of long put options and the writing of short call options. In parallel, and in relation to the collar transactions with Morgan Stanley & Co. International plc, the founding partners entered into a separate lock-up group which concerned the

remaining shares of each founding partner not subject to the collar transaction. This separate lock-up group expires 180 days after the trade date on 31 May 2016 and comprises 17.67% of the total share capital (5.88% each).

On 31 December 2015, a group controlled by Morgan Stanley, c/o The Corporation Trust Company (DE), Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware, DE 19801, USA, disclosed shareholdings of 3'496'261 shares, corresponding to 13.09% of the total share capital.

In addition, on 5 February 2014 a group controlled by BlackRock, Inc., 55 East 52nd Street, New York, NY 10055, USA, disclosed an acquisition of shares resulting in a shareholding of 1'336'743 shares, corresponding to 5.27% of the total share capital.

At year-end Partners Group Holding held 391'524 treasury shares, corresponding to 1.47% of the total share capital.

All disclosures according to art. 20 of the Stock Exchange Act (SESTA) in 2015, including further details on the lock-up group and organized group referred to above can be found on the SIX Exchange Regulation homepage: <https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html>.

### 1.3 Cross-shareholdings

Partners Group Holding has no cross-shareholdings of 5% or more with another company or group of companies.

# Corporate governance report

## 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 share capital as of 31 December 2015 and no changes in capital have occurred during the last three years.

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 shares out of conditional share capital or by the delivery of existing shares (treasury shares). Please see note 26 (b) to the consolidated financial statements in the annual report 2015 for comprehensive information on the share and option program of the firm. 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 share 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 (AGM) of shareholders held on 27 April 2007 approved the increase of the conditional share 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 share 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 share 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 Exchange Regulation:

<https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.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.partnersgroup.com/articlesofassociation>), as described in section 2.6 below. The shares have been issued in the 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 issues 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 (Partizipationsscheine).

### 2.5 Dividend-right certificates

Partners Group Holding has not issued any dividend-right certificates (Genussscheine).

### 2.6 Limitations on transferability and nominee registration

Any transfer of shares will not be recognized for the purpose 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

# Corporate governance report

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 cancelled 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 2015.

## 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 shares out of conditional share capital or by the delivery of existing shares (treasury shares). Please see note 26(b) to the consolidated financial statements in the annual report 2015 for comprehensive information on the share and option program of the firm.

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



# Corporate governance report

## 3. Board of Directors

The table below shows the current composition of the Board of Directors:

Name	Director since	Nationality	Age	Committee membership <sup>2)</sup>	Function
Dr. Peter Wuffli <sup>1)</sup>	2009	Swiss	58	SC, NCC, RAC	Chairman, Chair of the Strategy Committee
Dr. Charles Dallara <sup>1)</sup>	2013	American	67	MC	Executive Vice Chairman, Chairman of the Americas
Dr. Marcel Erni	1997	Swiss	50	SC	Chief Investment Officer
Alfred Gantner	1997	Swiss	47	SC, RAC	Chair of the Global Investment Committee
Steffen Meister	2013	Swiss	45	SC, NCC, MC	Delegate of the Board/President
Grace del Rosario-Castaño <sup>1)</sup>	2015	Philippine	52	NCC	Chair of the Nomination & Compensation Committee
Dr. Eric Strutz <sup>1)</sup>	2011	German	51	RAC	Chair of the Risk & Audit Committee
Patrick Ward <sup>1)</sup>	2013	British	62	MC	Chairman UK & Middle East
Urs Wietlisbach	1997	Swiss	54	MC, SC	Chair of the Markets Committee

Note: Dr. Wolfgang Zürcher was an independent member of the Board until 13 May 2015; he retired from the Board after a tenure of ten years.

<sup>1)</sup> Independent Partners Group Board member in line with the independency criteria outlined in section 3.1 of the corporate governance report.

<sup>2)</sup> **SC:** Strategy Committee, **MC:** Markets Committee, **NCC:** Nomination & Compensation Committee, **RAC:** Risk & Audit Committee  
detailed information on committees is provided in section 3.5 of the corporate governance report.

The Board of Directors of Partners Group Holding is entrusted with the overall strategy and direction of the company and with the supervision of its management. As of 31 December 2015, the Board of Directors consists of nine members. All members were elected by shareholders for a one-year tenure with the possibility of re-election.

### 3.1 Members of the Board of Directors

Apart from their roles on the Board of Directors of their family office PG3 AG and those mentioned below, the co-founders of Partners Group Dr. Marcel Erni and Messrs. Alfred Gantner and Urs Wietlisbach, do not hold any management positions or any board memberships within the financial industry 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 independency criteria for members of the Board of Directors and on the professional history and education of each member of the Board of Directors, including other significant activities in governing and supervisory bodies of important financial organizations, institutions and foundations under private and public law, permanent management and consultancy functions for important Swiss and foreign interest groups, and official functions and political posts.

### Independence statement for members of the Board of Directors

Best practice in corporate governance calls for the independence of selected Board members as an important element of its quality and integrity. However, defining independence is challenging as codes of best practice, regulators, as well as proxy advisors, tend to use different criteria and no globally accepted standard has yet emerged. In addition, many of the criteria suggested follow formal legal or financial concepts that do not necessarily reflect the substantive independence in background, perspective and judgment of board members that is conducive to high levels of quality and integrity in corporate governance. Finally, each company has its specific characteristics in terms of its business model and its governance and ownership structure as a result of which certain criteria take precedence over others.

Having reviewed a series of possible criteria from different sources, ranging from financial market authorities, other stock exchanges, codes of best practice, to foundations and independent asset managers with a focus on a sustainable corporate development, Partners Group recognizes significant differences in their definitions of Board member independence. Some apply more formal criteria while others tend to focus more on substance. For example, more formal criteria for the definition of independency assess direct compensation

# Corporate governance report

received from the firm within a certain period of time or focus on the current employment status with the firm, whereby an assessment that focuses more on substance also takes into account the specific circumstances, such as other functions performed for the firm, to determine independency. Partners Group follows the general corporate governance principle of “comply or explain” and therefore applies the following criteria to evaluate the independence of its Board members.

First and foremost, when searching for an additional external member of the Board, Partners Group looks for accomplished, distinctive and competent personalities who are respected based on their achievements, contribute relevant professional skills, commit substantial capacity and add to the diversity of the Board in terms of background, perspectives and views. In our view, these selection criteria represent the essence of true independence.

In addition, Partners Group applies several formal criteria for Board member independence:

- no line management function (i.e. positions with substantial decision-making authority) for Partners Group Holding or any of its affiliates currently or in the prior three years;
- no employment or affiliation with our external auditor currently or in prior three years;
- less than ten years as an existing Partners Group Board member.

The materiality of the following additional criteria is evaluated on a case-by-case basis:

- limited financial dependence on Partners Group in terms of employment, income and shareholding relative to an individual's overall situation; and
- no material direct or indirect business relationship with Partners Group or any of its affiliates (except as an investor in Partners Group products).

Whether or not a Board member has an employment contract with Partners Group or any of its affiliates, the extent to which a Board member is active on behalf of Partners Group, and the level of compensation received from Partners Group are in our assessment not valid criteria to challenge independence. On the contrary, Partners Group appreciates active Board members and views high levels of involvement as valuable contributions to the quality and integrity of corporate governance.

As a result of this evaluation process (which is reviewed annually) we consider the following current Board members as independent: Dr. Charles Dallara, Grace del Rosario-Castaño, Dr. Eric Strutz, Patrick Ward and Dr. Peter Wuffli.

## History and education of each member of the Board of Directors, including other activities and functions



### Dr. Peter Wuffli

is Chairman of the Board of Directors of Partners Group Holding and 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 Chairman of

the IMD Foundation and Supervisory Board of the Lausanne IMD business school and Vice-Chairman of the Board of the Zurich Opera House. Peter Wuffli studied economics at the University of St. Gallen (HSG), Switzerland, 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. Since January 2016, he is a member of the MAS International Advisory Panel in Singapore, an advisory panel for Singapore's financial sector reforms and strategies. Neither Dr. Wuffli nor any of his close family members have ever been members of the senior management of Partners Group Holding, nor 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 or hold a political post nor does he have any permanent management/consultancy functions for significant domestic and foreign interest groups.



### Dr. Charles Dallara

is the Executive Vice Chairman of Partners Group Holding's Board of Directors and Chairman of the Americas, based in New York. He has 40 years of industry experience. Prior to joining Partners Group, he was the Managing Director and Chief Executive

Officer of the Institute of International Finance. Previously, he was a Managing Director at J.P. Morgan & Co. In addition, he held the following positions in the George H.W. Bush and Ronald Reagan administrations: Assistant Secretary of the Treasury for International Affairs, Assistant Secretary of the Treasury for Policy Development and Senior Advisor for Policy



# Corporate governance report

to the Secretary of the Treasury, United States Executive Director of the IMF, and, concurrently, Senior Deputy Assistant Secretary of the Treasury for International Economic Policy and US Alternate Executive Director at the IMF. He holds a Master of Arts, a Master of Arts in Law & Diplomacy and a PhD from the Fletcher School of Law and Diplomacy at Tufts University, Massachusetts, USA, and a bachelor's degree in economics from the University of South Carolina, USA. Since 2013, he is a member of the Senior Advisory Board of Oliver Wyman Financial Services Inc. and a member of the Board of Directors of Scotia Bank. Neither Dr. Dallara nor any of his close family members have ever been members of the senior management of Partners Group Holding, nor any of its subsidiaries, nor do they have any significant business connections with either Partners Group Holding or one of its subsidiaries. Dr. Dallara does not exercise any official functions or hold a political post nor does he have any permanent management/consultancy functions for significant domestic and foreign interest groups.



**Dr. Marcel Erni**

co-founded Partners Group in 1996. He is a Partner of the firm and a member of its Global Investment Committee. He is a member of Partners Group Holding's Board of Directors and the Chief Investment Officer, based in Zug. He has 24 years of industry experience. Prior

to founding Partners Group, he worked at Goldman Sachs & Co. and McKinsey & Co. He holds an MBA from the University of Chicago Booth School of Business, Illinois, USA, and a PhD in finance and banking from the University of St. Gallen (HSG), Switzerland. He is a member of the Board of Castle Private Equity AG, Switzerland, Partners Group Corporate Finance AG, as well as of Global Blue SA, Switzerland, a Partners Group portfolio company.



**Alfred Gantner**

co-founded Partners Group in 1996. He is a Partner of the firm and the Chairman of its Global Investment Committee and a member of Partners Group Holding's Board of Directors, based in Zug. He served as Partners Group's Chief Executive Officer from 1996 until 2005,

when he became Executive Chairman. In 2014, Alfred Gantner stepped down as Executive Chairman and took up his current role. Prior to founding Partners Group, he worked at Goldman Sachs & Co. He has 24 years of industry experience and holds an MBA from the Brigham Young University Marriott School of Management, Utah, USA. He is a member of the board of

directors of the Partners Group portfolio companies Strategic Partners Corp. and VAT Vakuumventile AG, Switzerland.



**Steffen Meister**

is a Partner of the firm and Delegate of the Board of Directors/President of Partners Group Holding, based in Zug. He has been with Partners Group since 2000, was the Chief Executive Officer from 2005 to 2013 and has 20 years of industry experience. Prior to

joining Partners Group, he worked at Credit Suisse Financial Products and had assignments at Swiss Reinsurance Co. and the Department of Mathematics of the Swiss Federal Institute of Technology (ETH) in Zurich. He holds a master's degree in mathematics from the Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland.



**Grace del Rosario-Castaño**

is a member of the Board of Directors of Partners Group Holding and Chair of the Nomination & Compensation Committee of the Board of Directors. Ms. Castaño spent 22 years at Johnson & Johnson, joining in 1990 as Brand Manager and ending her tenure as

Company Group Chairman, Asia-Pacific, in July 2014. In that role, Ms. Castaño was responsible for all markets in the Asia-Pacific region, covering 14 operating companies with revenue of over USD 3 billion. In her early years at Johnson & Johnson, she worked for the Consumer Products Worldwide division in the United States. Prior to joining Johnson & Johnson, Ms. Castaño spent the formative years of her career with Unilever. She graduated Magna Cum Laude with a Bachelor of Science in Business Administration from the University of the Philippines. She has also completed the Senior Management Programs at the Asian Institute of Management, Smith-Tuck Global Leadership For Women, at the Tuck School of Business in Hanover, New Hampshire and the Advanced Management Program at the University of California in Berkeley. Neither Grace del Rosario-Castaño nor any of her close family members have ever been members of the senior management of Partners Group Holding, nor any of its subsidiaries, nor do they have any significant business connections with either Partners Group Holding or one of its subsidiaries. Grace del Rosario-Castaño does not exercise any official functions or hold a political post nor does she have any permanent management/consultancy functions for significant domestic and foreign interest groups.

# Corporate governance report



## Dr. Eric Strutz

is a member of the Board of Directors of Partners Group Holding. He was Chief Financial Officer and a member of the Board of Managing Directors of Commerzbank AG until March 2012. Prior to joining Commerzbank AG, Dr. Eric Strutz was employed

by the Boston Consulting Group from 1993, where he was Vice President, Director and then Partner from 2000. He studied at the Universities of Erlangen-Nürnberg, Germany, and St. Gallen (HSG), Switzerland, and holds an MBA from the University of Chicago, Illinois, USA, as well as a PhD in business administration from the University of St. Gallen (HSG), Switzerland. He was a member of the Board of Directors and the Executive Committee of Mediobanca S.p.A., Milan, from 2004 to 2014. Since June 2015, he is a member of the Board of Directors and Chair of the Risk as well as the Audit Committee of HSBC Trinkaus & Burkhardt AG, Düsseldorf. Neither Dr. Strutz nor any of his close family members have ever been members of the senior management of Partners Group Holding, nor 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 or hold a political post nor does he have any permanent management/consultancy functions for significant domestic and foreign interest groups.



## Patrick Ward

is a member of Partners Group Holding's Board of Directors and Chairman of the UK and Middle East, based in London. He has 36 years of industry experience. Prior to joining Partners Group, he was Advisory Director and Chairman of Goldman Sachs Asset Management

International. Previously, he was Deputy Chairman and Co-Chief Executive Officer of Goldman Sachs International and a member of the firm's Management Committee, having previously co-headed the equities division globally. He holds a master's degree in management from Northwestern University, Illinois, USA, and an MBA from the University of the Witwatersrand, Johannesburg, South Africa. Neither Mr. Ward nor any of his close family members have ever been members of the senior management of Partners Group Holding, nor any of its subsidiaries, nor do they have any significant business connections with either Partners Group Holding or one of its subsidiaries. Mr. Ward does not exercise any official functions

or hold a political post nor does he have any permanent management/consultancy functions for significant domestic and foreign interest groups.



## Urs Wietlisbach

co-founded Partners Group in 1996. He is a partner of the firm and a member of Partners Group Holding's Board of Directors and Chairman of the Markets Committee, based in Zug. He has 27 years of industry experience. Prior to founding Partners Group, he worked at

Goldman Sachs & Co. and Credit Suisse. He holds a master's degree in business administration from the University of St. Gallen (HSG), Switzerland. He is a member of the Board of Directors of Princess Private Equity Holding Limited, a Partners Group investment holding. He is also a Board member of the PG Impact Investments Foundation, a foundation focusing on impact investing globally.

## Organizational changes to the Board of Directors

On 21 November 2014, Partners Group announced planned changes to its Board of Directors. Partners Group nominated Grace del Rosario-Castaño as an Independent Board member at its Annual General Meeting of shareholders on 13 May 2015.

At the Annual General Meeting of shareholders on 13 May 2015, the nomination was approved and Grace del Rosario-Castaño was elected as an Independent Board member and as a member of the Nomination & Compensation Committee, replacing Dr. Wolfgang Zürcher who retired from the Board of Directors as of 13 May 2015 after ten years as an Independent Board member. Dr. Zürcher, a Partner at the law firm Wenger & Vieli, has provided valuable guidance in support of Partners Group's fast-paced growth since its IPO in 2006.

On 18 November 2015, the Board of Directors announced its plan to nominate Michelle Felman as an Independent Board member at the Annual General Meeting of shareholders on 11 May 2016. Ms. Felman, an American national, is based in New York and has almost three decades of experience in the real estate investment industry. She previously served as an Executive Vice President at Vornado Realty Trust, steering its growth from an initial market capitalization of USD 6 billion in 1997 to USD 28 billion in 2010. Her previous roles include six years as Managing Director, Global Business Development, at GE Capital. Ms. Felman brings an in-depth understanding of the real estate market and related industries. Her extensive investment management experience will contribute to Board-level initiatives focused on strengthening Partners Group's investment management capabilities and will support the

# Corporate governance report

continued build-out of the firm's global investment platform. Neither Ms. Felman nor any of her close family members have ever been members of the senior management of Partners Group Holding, nor any of its subsidiaries, nor do they have any significant business connections with either Partners Group Holding or one of its subsidiaries. Ms. Felman does not exercise any official functions or hold a political post nor does she have any permanent management/consultancy functions for significant domestic and foreign interest groups.

## 3.2 Other activities and vested interests

Please see note 3.1.

## 3.3 Ordinance against excessive compensation in listed joint stock companies – Number of mandates pursuant to the OaEC

On 20 November 2013, the Swiss Federal Council issued the ordinance against excessive compensation in listed joint stock companies ("OaEC"). The OaEC inter alia obliges listed joint stock companies to annually submit the Board of Directors' and executive management's compensation to shareholders for a binding vote. The OaEC also contains new rules on corporate governance with direct effects on the Board of Directors, management, shareholders and independent proxies. Some of the provisions had to be complied with as of the entry into force of the OaEC on 1 January 2014; others were/are applicable as of the 2014 and 2015 Annual General Meetings. At the Annual General Meeting on 13 May 2015, shareholders approved a revised version of the firm's articles of association comprising the changes as required by the OaEC and as proposed by the Board of Directors, respectively.

Pursuant to art. 12 para. 1 of the OaEC, the firm's articles of association must contain the maximum number of permitted mandates outside of Partners Group Holding. Art. 24 of the articles of association states that each member of the Board of Directors may assume no more than four additional mandates in listed corporations and no more than five additional mandates in other legal entities. Exempt from this limitation are the following mandates: mandates in legal entities controlled by the Company or controlling the Company; mandates that are carried out on behalf of or as directed by the Company or any of its controlled companies in legal entities that are not part of the group, whereby each member of the Board of Directors may assume no more than ten of such mandates; mandates in associations, non-profit organizations, foundations, trusts, and employee pension foundations, whereby each member of the Board of Directors may assume no more than ten of such mandates; and

mandates in legal entities serving the sole purpose of managing private assets, whereby each member of the Board of Directors may assume no more than ten of such mandates.

The term "mandate" as used in the articles of association includes activities within other superior governing or administrative bodies of legal entities that are obliged to register themselves in the Swiss commercial registry or a corresponding foreign registry. Mandates in several legal entities that are under joint control or joint beneficial ownership, are considered one mandate.

## 3.4 Elections and terms of office

The Board of Directors consists of at least three members. All members as well as the Chairman of the Board of Directors are elected individually at the shareholders' meeting, for a term of one year in accordance with the OaEC. The years each member of the Board of Directors was first appointed are listed in the table at the beginning of this section. Re-election is possible.

## 3.5 Internal organizational structure

The Board of Directors has adopted written internal regulations for the management of the company and of its subsidiaries pursuant to art. 716b of the Swiss Code of Obligations, the rules of the SIX Exchange Regulation, the company's articles of association and the Swiss Federal Act on Collective Investment Schemes.

The Board of Directors has ultimate responsibility for the management of Partners Group Holding. Please see the table at the beginning of this section 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 secretary, who needs 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"; Organisationsreglement); in 2015, six meetings were held, which lasted between one and eight hours each. 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 unless higher quorums are provided by applicable provisions.

# Corporate governance report

The Board of Directors has established further committees to promulgate and monitor related directives and policies: the Risk & Audit Committee, the Nomination & Compensation Committee, the Strategy Committee and the Markets Committee. Each committee advises the Board of Directors on the matters specified below, often with the assistance of the Executive Committee and others involved in the management of Partners Group Holding. The members and Chairs of these committees are determined by the Board of Directors, apart from the members of the Nomination & Compensation Committee who are elected individually at the Annual General Meeting for a term of one year in accordance with the OaEC. Please see the table at the beginning of this section 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 & Audit Committee

The Risk & Audit Committee is in charge of ensuring the 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 & 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 & 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 3.7.1.5). As of 31 December 2015, the members of the Risk & Audit Committee were Dr. Eric Strutz (Chair), Alfred Gantner and Dr. Peter Wuffli. The Risk & Audit Committee held four meetings in 2015, which each lasted approximately two to four hours. In addition, the external auditors attended all meetings of the Risk & Audit Committee in 2015. The Co-Chief Executive Officers, Chief Financial Officer, Chief Risk Officer ("CRO"), Head Group Internal Audit as well as the General Counsel regularly attend Risk & Audit Committee meetings. All committee members were present at all meetings.

## Nomination & Compensation Committee

The Nomination & Compensation Committee advises and supports the Board of Directors in particular with regard to the determination of the compensation system and principles, as well as with regard to the nomination of members of the Board of Directors and the promotion of executive officers of the

company or its controlled companies, as applicable. It assesses the compensation proposals for the company or its controlled companies, respectively, with regard to compliance with the determined principles. It also prepares the compensation report and the motions to be submitted to the shareholders' meeting on the Board of Directors' and the executive management's compensation. The Board of Directors may assign further tasks, responsibilities and powers in compensation and nomination matters to the Nomination & Compensation Committee. As of 31 December 2015, the members of the Nomination & Compensation Committee were Grace del Rosario-Castaño (Chair), Peter Wuffli and Steffen Meister. The Nomination & Compensation Committee held three meetings in 2015, which each lasted approximately two to three hours, to discuss the annual compensation for the Board of Directors and the Executive Committee as well as to confirm the overall compensation policy. The majority of the committee members were present at all meetings.

## Strategy Committee

The Strategy Committee directs the firm's major strategic initiatives and advises the Board of Directors in particular on major business, corporate and organizational initiatives within the current set of guidelines and practices. It further oversees fundamental initiatives in terms of the firm's human capital development, financial planning and use of financial resources. As of 31 December 2015, the members of the Strategy Committee were Peter Wuffli (Chair), Marcel Erni, Alfred Gantner, Urs Wietlisbach and Steffen Meister. The Co-Chief Executive Officers as well as the Chairman of the Europe Investment Solutions department also regularly participate in the meetings. The Strategy Committee held eight meetings in 2015, which each lasted approximately three to four hours. The majority of the meetings were attended by all members.

## Markets Committee

The Markets Committee coordinates global marketing and (key) client activities, drives strategic fundraising initiatives and identifies new key product and fundraising themes. In addition, it oversees the coverage of the firm's key client prospects, the global consultant network, the firm's global public relations strategy as well as its advisory network. As of 31 December 2015, the members of the Markets Committee were Urs Wietlisbach (Chair), Charles Dallara, Patrick Ward and Steffen Meister. Co-CEO André Frei, the Head of the Investment Solutions team and the Chairman of Investment Solutions Europe also regularly participate in the meetings. The Markets Committee held six meetings in 2015 which lasted approximately two hours each. The majority of the meetings were attended by all members.

# Corporate governance report

## Investment Oversight Committee

On 9 March 2016, the Board decided to form an additional Committee, the Investment Oversight Committee. The Investment Oversight Committee provides advice and support to the Board of Directors, the management and the Investment Committees with regard to the assessment of quality and consistency of decision processes, the investment performance achieved, the realization of the projected appreciation on individual investments, and the investment risks incurred. It defines quality standards and measurement methods and proposes any measures that may be required. The members of the Investment Oversight Committee are Michelle Felman (subject to election as Independent Board member at the Annual General Meeting of shareholders on 11 May 2016), Grace del Rosario-Castaño, Marcel Erni and Alfred Gantner. The Co-Head Private Equity also participate in the meetings. The Investment Oversight Committee held one meeting which lasted two hours.

## 3.6 Definition of areas of responsibility

The Board of Directors has delegated the day-to-day management of Partners Group to the Executive Committee 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 respective committees to determine the principles of the 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 Chairman of the Board of Directors and of the Co-Chief Executive Officers are held by separate people, 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 others) resolutions regarding essential features of the group's organization, all transactions in connection with real estate (outside of investment activities), the 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 Committee 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, competencies, individual resolutions and restrictions imposed by the Board;
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, competencies, 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;
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 Committee;
14. Proposals 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 rights as a shareholder within group companies, including the entitlement to vote on the composition of the members of management, accepting the annual financial statements and matters related to this.



# Corporate governance report

## 3.7 Information and control instruments vis-à-vis the senior management

The Board of Directors is kept informed of the activities of the Executive Committee through a number of information and control instruments. The Co-Chief Executive Officers, Chief Financial Officer and respective operating officers with line management functions are in a regular dialogue with the Delegate of the Board of Directors 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 Committee notifies the Chairman of the Board without delay.

The Executive Committee submits decisions beyond the scope of ordinary management or decisions that carry major implications to the relevant Board Committee or Board of Directors, including (but not limited to) decisions specifically reserved for the relevant Board Committee or Board of Directors.

### 3.7.1 Group risk governance

#### 3.7.1.1 Scope and elements

Partners Group identifies, assesses and monitors risks and controls risk management processes on an aggregate consolidated basis for all business activities across the organization. Partners Group's risk governance framework comprises the following elements:

1. Risk management;
2. Risk control and audit; and
3. Strategy risk control.

Responsibilities for each element are separated as illustrated below.

#### 3.7.1.2 Executive Committee

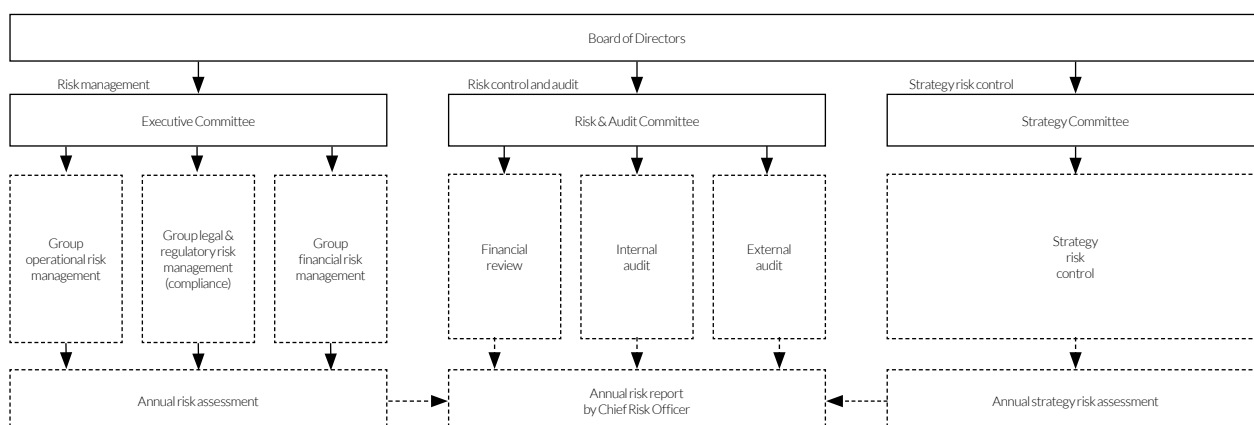
The ongoing risk management of Partners Group's activities is delegated to the Executive Committee. In establishing appropriate processes regarding risk management, the Executive Committee shall distinguish between:

1. the group operational risk management;
2. the group legal and regulatory risk management (compliance); and
3. the group financial risk management.

Within these categories, the Executive Committee sets qualitative and quantitative standards consistent with the risk appetite in Partners Group's business activities by issuing appropriate policies or otherwise. Risk identification and categorization is explained in more detail in section 3.7.2.3.

Partners Group's management has established an operational Internal Control System (ICS) and maintains an internal control structure that monitors compliance with established policies and procedures. The ICS is established and refreshed based on assessment of the risks facing Partners Group. Partners Group selects and develops control activities that contribute to the mitigation of risks.

The ICS consists of the following three pillars: (i) a risk management culture which is embedded in the operational activities of the business teams, with the core responsibility for the implementation, effectiveness and documentation of the controls lying with the respective Business Department Heads; (ii) the oversight and monitoring of Group Processes which is ensured by the respective operating officers with line management responsibilities, along with a risk assessment which is performed by the Chief Risk Officer and the Executive Committee, and compliance spot checks which are ensured by the General Counsel; and (iii) Group Internal Audit as



# Corporate governance report

a (business and operations) independent function which periodically verifies and assesses the ICS, thus contributing to its improvement.

Overall responsibility for the ICS lies with the senior management of Partners Group. In addition, the Board of Directors carries out its oversight responsibilities by defining, maintaining, and periodically evaluating the skills and expertise needed among its members to enable them to ask probing questions of senior management and take commensurate actions. The Board of Directors retains oversight responsibility for management's design, implementation, and the conduct of internal control with respect to the individual components of internal control: control environment, risk assessment, control activities, information and communication and monitoring activities.

Partners Group has engaged PricewaterhouseCoopers AG ("PwC") to report on the description and on the suitability of the ICS as well as the operating effectiveness of the control activities as relates to its investment management services, in accordance with the International Standard on Assurance Engagements 3402 ("ISAE 3402") issued by the International Auditing and Assurance Standards Board. Accordingly, an ISAE 3402 Type I report (reporting on the description and design of internal controls as examined by PwC) was issued by Partners Group in 2012.

PwC has also been engaged to annually examine the operating effectiveness of controls (ISAE 3402 Type II report). Partners Group issued an ISAE 3402 Type II controls report with no qualification relating to its investment management services as of year-end 2012, 2013 and 2014, confirming the overall robust set-up and operating effectiveness of controls. A similar report was issued in early 2016 to cover the calendar year 2015.

### 3.7.1.3 Risk & Audit Committee

Within the Board of Directors, the Risk & Audit Committee is responsible for the review of the risk profile of Partners Group and for ensuring appropriate processes regarding the ongoing group risk control and audit are in place, relating specifically to:

1. the financial reviewing;
2. the internal auditing; and
3. the external auditing.

The Risk & Audit Committee's responsibilities are further defined in the Rules of the Organization and of Operations (ROO) for Partners Group Holding.

Group Internal Audit supports the Board of Directors, the Risk & Audit Committee and the Executive Committee of the company in their supervisory and risk management tasks. In doing so, Group 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. Group Internal Audit reports to the Chairman of the Board of Directors and works closely with the Chairman of the Risk & Audit Committee as well as the Co-Chief Executive Officers, the Chief Financial Officer and the General Counsel. The scope, responsibilities, tasks and priorities of Group Internal Audit are regularly discussed with and approved by the Risk & Audit Committee and are reflected in the Group Internal Audit Directive.

The International Standards for the Professional Practice of Internal Auditing as well as the Definition of Internal Auditing and Code of Ethics issued by the Institute of Internal Auditors guide the GIA practice.

### 3.7.1.4 Strategy Committee

Within the Board of Directors, the Strategy Committee is responsible for identifying and assessing strategic and business risks and establishing appropriate processes for the group's strategy risk control. The Strategy Committee's responsibilities are further defined in the Rules of the Organization and of Operations (ROO) for Partners Group Holding.

### 3.7.1.5 Risk Control Function

To support the risk governance bodies set out above (under sections Executive Committee, Risk & Audit Committee and Strategy Committee), Partners Group has established a Risk Control Function currently carried out by the CRO. From time to time, the Executive Committee shall propose amendments to the Risk Control Function to the Board, thereby ensuring that the function is allocated adequate resources and authority, in line with the size and complexity of the business and organization, as well as the risk profile of Partners Group.

As an independent controlling function, the Risk Control Function includes the following responsibilities:

- Supporting the Risk & Audit Committee and the Board in reviewing the risk profile (risk policy, risk appetite and risk limits) of the organization;
- Collecting, consolidating and assessing risk information from within the organization to enable the Risk & Audit Committee and the Board to supervise Partners Group's risk profile;
- Monitoring Partners Group's risk profile by defining and procuring the implementation of adequate systems and

# Corporate governance report

methods for risk supervision, and adjusting such systems and methods to new business lines and products;

- Supervising the adequacy and effectiveness of the organization's systems for risk management in light of Partners Group's risk profile.

The Head of the Risk Control Function has unrestricted access to the Executive Committee and a direct reporting line to the Co-CEOs. Unrestricted access to information, locations and documents is also granted within the scope of the Risk Control Function.

The Head of the Risk Control Function typically reports to the Executive Committee every six months or on an ad-hoc basis, as needed. The Head informs the Risk & Audit Committee about their activities and findings at the Committee's regular meetings. In between meetings, the Chairman of the Risk & Audit Committee and the Head of the Risk Control Function liaise to prepare meetings and address specific issues on an ad-hoc basis.

On an annual basis, the Head of the Risk Control Function shall provide a risk report to the Board of Directors comprising the risk assessments of the Executive Committee, the Risk & Audit Committee and the Strategy Committee. A copy of this report is available to Group Internal Audit and to external auditors.

### 3.7.1.6 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. As of 9 March 2016, the members of the Conflict Resolution Board are Board member and Chairman of the Risk & Audit Committee Dr. Eric Strutz (Chair), Steffen Meister (Delegate of the Board of Directors) and Andreas Knecht (Chief Operating Officer and General Counsel).

## 3.7.2 Risk management process

### 3.7.2.1 Objectives

Partners Group's risk management is an ongoing process under the leadership and supervision of the Executive Committee which want to ensure that:

- Risk is consistently and comprehensively identified, measured, monitored and reported across all of its businesses, locations and risk types;
- Risk is monitored in a coordinated way within clear roles and responsibilities;

- Risk is within Partners Group's risk appetite; and
- Risk is governed by the appropriate Partners Group bodies and functions in order to provide reasonable assurance regarding the achievement of Partners Group's objectives.

Risk identification, measurement, monitoring and reporting is addressed by dedicated and tailored risk management processes.

### 3.7.2.2 Responsibilities

The coordination and implementation of Partners Group's operational risk management is the responsibility of each Department Head for his/her business or staff department. Adherence to the internal core processes is based on compliance with the applicable directives, policies and instructions issued by the Executive Committee.

The coordination and implementation of Partners Group's legal and regulatory risk management is the responsibility of the General Counsel. Adherence to the firm's core instructions is based on compliance with applicable directives, policies and instructions issued by the Executive Committee.

The coordination of the financial risk management is the responsibility of the CFO. Financial controls are based on the internal control system for finance and a dedicated Management Information System ("MIS").

### 3.7.2.3 Risk identification and categorization

Within the responsibility of the Executive Committee, the Board of Directors has identified the following main risk categories for Partners Group's business activities:

- **Strategic and business risks** refer to those risks that could cause Partners Group's business vision and strategic direction to become unfeasible, that could cause Partners Group to lose its competitiveness and that could erode the firm's business profitability due to changes in the environment, failures in the firm's choice or execution of strategy, or other reasons. These risks are inherent to Partners Group's business model and dependent on how well this is adapted to the business environment in which the firm competes.
- **Investment risks** refer to the risk that assets might underperform and also consider a potential loss of an investment made on behalf of Partners Group's clients. They further include the risk of significant concentration of specific investments in client portfolios. These risks could cause the erosion of Partners Group's track record and impact the firm's competitiveness for future client demand and its potential to generate future performance fees.



# Corporate governance report

- **Operational risks** are those risks that could cause Partners Group to suffer a loss directly or indirectly from inadequate or failed internal processes, people, systems or external events. They are inherent to all of Partners Group's business and support activities, and comprise a large number of disparate risks including losses resulting from events such as human error, IT failures, and fraud.
- **Compliance risks** refer to the risk of non-compliance with legal and regulatory requirements, rules of professional conduct as well as common standards and Partners Group's own standards. They are inherent to all of Partners Group's business and support activities and dependent on the awareness of applicable laws, rules and regulations and their application and enforcement.

Risk management and control of obligations directly related to external parties/regulators is based on the firm's Product Obligations and Procedures (POPs) and Regulatory Obligations and Procedures (ROPs) task control system, which consists of an electronic task list with which adherence to all major corporate regulatory/legal and contractual requirements is automatically monitored and documented.

Compliance risks are monitored by Partners Group's Compliance team and regularly reported to the Risk and Audit Committee by the General Counsel and Head of Global Compliance.

Risk management and risk control related to key operational internal processes is covered by Partners Group's Operational Internal Control System which is described in the Operational Internal Control System Directive.

- **Financial risks** are risks of loss of financial resources that could affect Partners Group's profit and loss statement or balance sheet. They comprise credit risks, liquidity risks and market risks.

**(a) Credit risks** refer to 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 risks arise as a result of activities that support Partners Group's business model.

Credit risks are monitored and controlled by the CFO and are reported on in a timely manner to the Risk & Audit Committee.

**(b) Liquidity risks** refer to the risk that Partners Group may not have sufficient financial resources to meet its financial obligations when these fall due.

The coordination and monitoring of the liquidity risk is the responsibility of the CFO, based on a risk framework established by the CRO and CFO. The cash flow forecasting (including adapting the dividend policy) is discussed on a regular basis in the Risk & Audit Committee.

**c) Market risks** refer to the possibility that Partners Group may suffer a loss resulting from the fluctuations in the values of, or income from, proprietary assets and liabilities. As an asset manager, Partners Group does not deliberately seek exposure to market risks to generate profit as this is not the central business of Partners Group.

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 periodically reported on to the Risk & Audit Committee by the CRO.

- **Reputational risks** can result from events in any of the above mentioned risk categories. Hence, this type of risk is measured through the business risk framework and monitored on an ongoing basis by the Executive Committee.

# Corporate governance report

## 4. Executive Committee

The table below shows the current composition of the Executive Committee:

Name	Joined Partners Group in	Nationality	Age	Position
André Frei	2000	Swiss	40	Co-Chief Executive Officer and Head Clients <sup>1)</sup>
Christoph Rubeli	1998	Swiss	54	Co-Chief Executive Officer and Co-Head Investments
Claude Angéloz	2000	Swiss	48	Co-Head Private Real Estate
Andreas Baumann	2003	Swiss	43	Head Integrated Investments
René Biner	1999	Swiss	45	Co-Head Investments and Co-Head Private Debt <sup>2)</sup>
Felix Haldner	2001	Swiss	52	Head Investment Structures
Andreas Knecht	2009	Swiss	46	Chief Operating Officer and General Counsel <sup>3)</sup>
Marlis Morin	2003	Swiss/Italian	45	Head Client Services
Stefan Näf	2003	Swiss	42	Head Investment Solutions
Dr. Stephan Schäli	1999	Swiss	47	Co-Head Private Equity <sup>4)</sup>
Dr. Michael Studer	2001	Swiss	43	Chief Risk Officer and Head Investment Services
Dr. Cyrill Wipfli	2002	Swiss	42	Chief Financial Officer

<sup>1)</sup> Head Clients as of 1 January 2016.

<sup>2)</sup> Co-Head Private Debt as of 1 January 2016.

<sup>3)</sup> Chief Operating Officer as of 1 January 2016.

<sup>4)</sup> Head Private Equity until 31 December 2015 and Co-Head Private Equity as of 1 January 2016.

### 4.1 Members of the Executive Committee

As mentioned in section 3.6 above, the Board of Directors has delegated the operational management of the company to the Executive Committee, unless otherwise required by law, the articles of association or otherwise defined in section 3.6. Next to day-to-day investment and client activities, the Executive Committee considers firm-wide and cross-departmental aspects, such as human resources, compliance with legal and regulatory requirements and salary steering.

#### History and education of each member of the Executive Committee, including other activities and functions



##### André Frei

is the Co-Chief Executive Officer of Partners Group, based in Zug. Together with Christoph Rubeli, he leads the Executive Committee and the Global Executive Board. He is also Head of Clients at Partners Group. He has been with Partners Group since 2000 and

has 16 years of industry experience. Previously, he served as

the CRO of Partners Group between 2008 and 2013 and he was the Head of the Client Services business department. He holds a master's degree in mathematics from the Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland. He is also a CFA charterholder.



##### Christoph Rubeli

is the Co-Chief Executive Officer of Partners Group, based in Zug and Singapore. Together with André Frei, he leads the Executive Committee and Global Executive Board. He is also Co-Head of Investments at Partners Group. He is a member of the Global Investment

Committee. He has been with Partners Group since 1998 and has 30 years of industry experience. Prior to joining Partners Group, he worked at UBS. He holds an MBA from INSEAD Paris, France.

# Corporate governance report



**Claude Angéloz**

is Co-Head of the Private Real Estate business department and Head of the European Private Real Estate business unit, based in Zug. He is a member of the Executive Committee and the Global Executive Board. He is a member of the Private Real Estate Directs

Investment Committee, the Private Real Estate Secondaries Investment Committee and the Private Real Estate Primaries Investment Committee. He has been with Partners Group since 2000 and has 24 years of industry experience. Prior to joining Partners Group, he worked at Credit Suisse Financial Products and Credit Suisse. He holds a master's degree in business administration from the University of St. Gallen (HSG), Switzerland.



**Andreas Baumann**

is Head of the Americas and Head of the Integrated Investments business unit, based in New York. He is a member of the Executive Committee and the Global Executive Board. He is also a member of the Global Investment Committee.

He has been with Partners Group since

2003 and has 18 years of industry experience. Previously, he was Head of Partners Group's Singapore office and was responsible for the firm's Asia-Pacific private equity investment activities between 2010 and 2014. Prior to that he was part of the Private Equity Directs and Primaries Americas business unit between 2003 and 2010, based in New York. Before joining Partners Group, he worked at Sinoart (USA) Inc., Sichuan EW Textile Co. Ltd. and ICPC Trading Inc. He holds an MBA from the New York University Stern School of Business.



**René Biner**

is Co-Head of Investments at Partners Group and Co-Head of the Private Debt business department, based in Zug. He is a member of the Executive Committee and the Global Executive Board. He is also a member of the Global Investment Committee. He has

been with Partners Group since 1999 and has 22 years of industry experience. Prior to joining Partners Group, he worked at PricewaterhouseCoopers. He holds a master's degree in economics and business administration from the University of Fribourg, Switzerland. He is also a Swiss certified public accountant.



**Felix Haldner**

is Head of the Investment Structures business department, based in Zug. He is a member of the Executive Committee and the Global Executive Board. He has been with Partners Group since 2001 and has 28 years of industry experience. Prior to joining Partners

Group, he worked at PricewaterhouseCoopers. He holds a master's degree in business law from the University of St. Gallen (HSG), Switzerland. He is also admitted to the Swiss bar and is a certified Swiss tax expert. He is president of the Swiss Funds' and Asset Management Association and sits in the Tax, Legal & Regulatory Committee of Invest Europe.



**Andreas Knecht**

is the Chief Operating Officer of Partners Group, based in Zug. He is Head of Corporate and Services, Head of the Corporate Operations business department and General Counsel of Partners Group. He is a member of the Executive Committee and the

Global Executive Board. He has been with Partners Group since 2009 and has 20 years of industry experience. Prior to joining Partners Group, he worked at a number of different law firms, including Niederer Kraft & Frey, and at Man Group. He holds a master's degree in law from the University of Zurich, Switzerland, and an LLM from New York University. He is also admitted to the Swiss bar.



**Marlis Morin**

is Head of the Client Services business department, based in Zug. She is a member of the Executive Committee and the Global Executive Board. She has been with Partners Group since 2003 and has 22 years of industry experience. Prior to joining Partners Group, she

worked at Credit Suisse Asset Management Funds, Raiffeisen Landesbank Suedtirol and Raiffeisenkasse Eisacktal. She holds a master's degree in international economics and business studies from the University of Innsbruck, Austria, and Marquette University, Wisconsin.

# Corporate governance report



## **Stefan Näf**

is the Global Head of the Investment Solutions business department and Co-Head of the Investment Solutions Europe & Middle East business unit, based in Zug. He is a member of the Executive Committee and the Global Executive Board. He has been with

Partners Group since 2000 and has 19 years of industry experience. Previously, he was Head of the European Investment Solutions business unit where he founded the London office and, prior to that, he was part of the Private Equity Directs and Primaries business unit, based in Zug. Prior to joining Partners Group, he worked at the European Institute for Risk Management (EIRM). He holds a master's degree in banking and finance from the University of St. Gallen (HSG), Switzerland.



## **Dr. Stephan Schäli**

is Co-Head of the Private Equity business department and Co-Head of the Private Equity Secondaries business unit, based in Zug. He is a member of the Executive Committee and the Global Executive Board. He is a member of the Global Investment Committee and

the Chairman of the Global Portfolio Strategy Committee and the Private Equity Secondaries Investment Committee. He has been with Partners Group since 1999 and has 19 years of industry experience. Prior to joining Partners Group, he worked at UBS and Goldman Sachs & Co. He holds an MBA from the University of Chicago, Booth School of Business, Illinois, and a PhD in business administration from the University of St. Gallen (HSG), Switzerland.



## **Dr. Michael Studer**

is the Chief Risk Officer of Partners Group and Head of the Investment Services business department, based in Zug. He is a member of the Executive Committee and the Global Executive Board. He is also a member of the Global Investment Committee. He has been

with Partners Group since 2001 and has 20 years of industry experience. He holds a PhD in mathematics from the Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland.



## **Dr. Cyrill Wipfli**

is the Chief Financial Officer of Partners Group, based in Zug. He is a member of the Executive Committee and the Global Executive Board. He has been with Partners Group since 2002 and has 20 years of industry experience. Prior to joining Partners Group, he worked at

McKinsey & Co., Venture Capital Finance and the Swiss Federal Committee for Technology and Innovation. He holds a PhD in finance and banking from the University of St. Gallen (HSG), Switzerland.

## **Organizational changes to senior management**

On 21 November 2014, Partners Group announced an adjustment to its extended leadership structure which came into effect as of 1 January 2015: the firm appointed senior managers to a new and diverse global leadership team at group level, the Global Executive Board, charged with driving forward the global business and corporate development of the firm. This team works closely with the Executive Committee, a smaller group of senior management members to whom the Board of Directors has delegated the operational management of the company. Executive Committee members are also members of the Global Executive Board (see also this section 4.1 above and 5 below).

Under the new management framework, the firm announced two rotations in the Executive Committee as of 1 January 2015: Jürg Wenger, Partner of the firm, decided to step down from his operational role as Chief Operating Officer and will instead actively support the firm's human capital management initiatives and take the lead on important office infrastructure projects. Following his transition, the Human Resources and Technology departments will report directly to the Co-CEOs. Andreas Baumann, Partner of the firm who relocated to the US to take on the new role of Head Americas, joined the Executive Committee as of 1 January 2015 after several years of successfully leading Partners Group's Asia private equity business out of Singapore. Andreas Baumann is a member of the Global Investment Committee, the firm's most senior investment body charged with the oversight of all investment recommendations, and in his new role focuses on portfolio solutions for large mandate clients in the Americas.

As of 1 January 2016, there were no changes to the members of the Executive Committee. However, four adjustments to individual roles were made: André Frei will be Head Clients. Stephan Schäli will co-head the Private Equity business department together with David Layton, Partner and member

# Corporate governance report

of the Global Executive Board. In addition to his role as Co-Head Investments, René Biner has replaced Juri Jenkner, who has taken over the Private Infrastructure business department, as Co-Head Private Debt alongside Scott Essex, Partner and member of the Global Executive Board. Andreas Knecht, General Counsel, was appointed Chief Operating Officer, Head of Corporate and Services and Head of the Corporate Operations business department. He continues to be the General Counsel.

## 4.2 Other activities and vested interests

Felix Haldner is President of the Swiss Funds' and Asset Management Association and sits in the tax, legal & regulatory committee of the European Private Equity and Venture Capital Association (EVCA). Other than that, none of the members of the Executive Committee is a member of a governing or supervisory body of important Swiss or foreign organizations outside of Partners Group. None of the members of the Executive Committee 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 Committee 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 15 years ago.

## 4.3 Number of mandates pursuant to the OaEC

Pursuant to art. 12 para. 1 of the OaEC, the firm's articles of association must contain certain rules on the number of permitted mandates outside of Partners Group Holding. Art. 29 of the articles of association states that each member of the executive management may assume no more than one additional mandate in listed corporations and no more than four additional mandates in other legal entities. The other provisions under art. 24 of the articles of association as referred to in section 3.3 above apply mutatis mutandis.

## 4.4 Management contracts

Partners Group Holding has not entered into any management contracts with companies or individuals not belonging to the group. Furthermore, the firm or its affiliates may enter into employment contracts with members of the executive management with a limited term of up to one year or employment contracts for an indefinite duration with a notice period of no more than twelve months.

# Corporate governance report

## 5. Global Executive Board

In addition to the Executive Committee members, the Global Executive Board includes the following members:

Name	Joined Partners Group in	Nationality	Age	Position
Pamela Alsterlind	2007	American	52	Co-Head Private Real Estate
Lukas Bucher <sup>1)</sup>	2008	Swiss	39	Head Human Resources
Scott Essex <sup>2)</sup>	2007	American	43	Co-Head Private Debt
Gonzalo Fernandez Castro	2012	Argentine	42	Private Equity Americas and Head São Paulo
Juri Jenkner	2004	German	40	Co-Head Private Infrastructure <sup>3)</sup>
Sergio Jovele	2005	Italian	46	Co-Head Investment Solutions Europe & Middle East
David Layton	2005	American	34	Co-Head Private Equity <sup>4)</sup>
Kevin Lu	2014	Chinese	42	Head Investment Solutions Asia and Head Singapore
Brandon Prater <sup>5)</sup>	2011	American	52	Co-Head Private Infrastructure
Amelia Räss-Fernandez	2016	Swiss	49	Head Human Resources <sup>6)</sup>
Raymond Schnidrig	2010	Swiss	47	Chief Technology Officer and Head Technology
Martin Scott	2008	Australian	42	Head Investment Solutions Australia

<sup>1)</sup> Member of the Global Executive Board and Head Human Resources until 31 December 2015.

<sup>2)</sup> Member of the Global Executive Board and Co-Head Private Debt as of 1 January 2016.

<sup>3)</sup> Co-Head Private Infrastructure as of 1 January 2016, Co-Head Private Debt until 31 December 2015.

<sup>4)</sup> Co-Head Private Equity as of 1 January 2016.

<sup>5)</sup> Member of the Global Executive Board until 31 December 2015.

<sup>6)</sup> Member of the Global Executive Board and Head Human Resources as of 1 January 2016.

Established on 1 January 2015, the Global Executive Board is a diverse global leadership team at group level, charged with driving forward the global business and corporate development of the firm. Members include Partners and Managing Directors from different business lines across the firm's offices in São Paulo, San Francisco, New York, London, Singapore and Sydney, as well as its headquarters in Zug, Switzerland. The team works closely with the firm's Executive Committee. Executive Committee members are also members of the extended Global Executive Board (see also section 4.1 above).

Certain adjustments to the Global Executive Board with regard to the representation of individual business lines were pursued, which became effective on 1 January 2016. Juri Jenkner, Partner, member of the Global Executive Board and former Co-Head Private Debt, has moved to co-head the Private Infrastructure business department together with Brandon Prater, Partner, in order to support the team's growth ambitions. Juri has replaced Brandon in the Global Executive Board. As a result, the Private Debt business department is now co-headed by Scott Essex, Partner and member of the Global Executive Board, and René Biner. David Layton, Partner, former Head Private Equity Americas, will now co-head the Private Equity business department together with Stephan Schäli. Joel Schwarz, Managing Director has replaced David Layton as Head

Private Equity Americas. Amelia Raess-Fernandez, Managing Director, who joined the firm as Head Human Resources, will replace Lukas Bucher in the Global Executive Board. Lukas will transfer internally to the Industry Value Creation team.

### Members of the Global Executive Board



#### Pamela Alsterlind

is Co-Head of the Private Real Estate business department and Head of the Private Real Estate Asset Management and Private Real Estate Americas business units, based in San Francisco. She is a member of the Global Executive Board and Global Investment

Committee. She is a member of the Private Real Estate Directs Investment Committee, the Private Real Estate Primaries Investment Committee and the Private Real Estate Secondaries Investment Committee. She has been with Partners Group since 2007 and has 28 years of industry experience. Prior to joining Partners Group, she worked at Kenneth Leventhal & Co., Ernst & Young LLP, Prudential Realty Group and Pension Consulting Alliance, Inc. She holds an MBA in finance and marketing from the University of Michigan Stephen M. Ross School of Business.



# Corporate governance report



**Scott Essex**

is Head of Partners Group's New York office, Co-Head of the Private Debt business department and Head of the Private Debt Americas business unit. He is a member of the Global Executive Board. He is a member of the Global Investment Committee and

the Chairman of the Private Debt Investment Committee. He has been with Partners Group since 2007 and has 15 years of industry experience. Prior to joining Partners Group, he worked at GE Capital and Lazard Ltd. He holds an MBA from the Georgetown University McDonough School of Business, Washington, D.C.



**Gonzalo Fernandez Castro**

is Head of the Latin American Private Equity team and Head of Partners Group's São Paulo office. He is a member of the Global Executive Board. He is a member of the Private Equity Primaries Asia-Pacific and Emerging Markets Investment Committee and

the Private Equity Directs Investment Committee. He has been with Partners Group since 2012 and has 19 years of industry experience. Prior to joining Partners Group, he worked at Lumix Capital, Adecco, Jacobs Holdings, LID Group and McKinsey. He holds an MBA from Harvard Business School, Massachusetts and an industrial engineering degree from the Buenos Aires Institute of Technology, Argentina.



**Juri Jenkner**

is Co-Head of the Private Infrastructure business department as of 1 January 2016, based in Zug. He is a member of the Global Executive Board, the Global Investment Committee and the Private Infrastructure Investment Committee. Previously, he served as Co-Head of the

Private Debt business department and Head of the European Private Debt business unit. He has been with Partners Group since 2004 and has 16 years of industry experience. Prior to joining Partners Group, he worked at Privatbankiers Merck Finck & Co. He holds a master's degree in finance from the Lorange Institute of Business Zurich, Switzerland. He is also a certified European financial analyst.



**Sergio Jovele**

is Head of Partners Group's London office and Co-Head of the Investment Solutions Europe and Middle East business unit. He is a member of the Global Executive Board. He has been with Partners Group since 2005 and has 16 years of industry experience.

Prior to joining Partners Group, he worked at Initiative Europe on private equity research assignments. He has published academic papers on American literature and holds a master's degree in literature from the Istituto Universitario Orientale di Napoli, Italy.



**David Layton**

is Co-Head of the Private Equity business department, based in New York. He is a member of the Global Executive Board and the Global Investment Committee. He is a member of the Private Equity Directs Investment Committee and the Private Equity

Primaries North America Investment Committee. Previously, he was the Head of Private Equity for the Americas. He has been with Partners Group since 2005 and has 13 years of industry experience. He has represented Partners Group on the Board of Directors of several portfolio companies. He holds a bachelor's degree in finance from Brigham Young University's Marriott School of Management, Utah.



**Dr. Kevin Lu**

is Head of Partners Group's Singapore office and Head of the Asian Investment Solutions business unit. He is a member of the Global Executive Board. He has been with Partners Group since 2014 and has 18 years of industry experience. Prior to joining Partners Group, he

worked at the World Bank Group as CFO and Asia-Pacific Regional Director of the World Bank Group's Multilateral Investment Guarantee Agency. He holds a PhD in international finance and public policy from New York University.

# Corporate governance report



## **Amelia Räss-Fernandez**

is Head of the Human Resources business department, based in Zug. She is a member of the Global Executive Board. She has 22 years of industry experience. Prior to joining Partners Group, she worked at Salt Mobile/ Orange Communications, Switzerland,

Zurich Financial Services and PricewaterhouseCoopers. She holds an executive MBA from the University of Zurich, Switzerland, and a graduate degree in human resources management from the University of Manchester, UK.



## **Dr. Raymond Schnidrig**

is the Chief Technology Officer of Partners Group and Head of the Technology business unit, based in Zug. He is a member of the Global Executive Board. He has been with Partners Group since 2010 and has 23 years of industry experience. Prior to joining Partners

Group, he worked at Goldman Sachs and Finance Online GmbH. He holds a PhD in computer science from the Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland.



## **Martin Scott**

is Head of Partners Group's Sydney office and Head of the Australian Investment Solutions business unit. He is a member of the Global Executive Board. He has been with Partners Group since 2008 and has 23 years of industry experience. Prior to joining Partners

Group, he worked at Zurich Investments, Tyndall Investment Management and Citigroup. He holds a marketing diploma from the Macquarie Graduate School of Management, Australia and studied business at the University of Technology Sydney, Australia.

## 6. Compensation, shareholdings and loans

### 6.1 Principles, content and method of determining the compensation

Pursuant to Art. 14 and 15 of the OaEC, all compensation paid in 2015 to the members of the Board of Directors and the Executive Committee, and the outstanding loans, if any, granted to the members of the Board of Directors and the Executive Committee, are disclosed in section 5 and 6 in the compensation report 2015. In the compensation report 2015, the firm outlines its compensation principles, components and method. The compensation report can be found in the annual report 2015 or on the firm's website.

### 6.2 Loans

Members of the Board of Directors and Executive Committee may apply for loans and fixed advances, subject to an internal review and approval process. Such loans are made on substantially the same terms as those granted to other employees, including interest rates and collateral. A detailed overview of loans outstanding as of 31 December 2015 for the Board of Directors and the Executive Committee can be found in the compensation report in sections 5 and 6.

Pursuant to art. 12 para. 2 section 1 of the OaEC, the maximum amount of loans and credits for members of the Board of Directors and the executive management must be fixed in the articles of association in order to allow the company to grant such loans and credits to members of the Board of Directors and the Executive Committee. All loans listed in the compensation report 2015 were granted before the entering into force of the OaEC.



# Corporate governance report

## 7. Shareholders' participation

### 7.1 Voting rights & representation measures

Each share entitles to one vote. The shareholders who are entitled to attend shareholders' meetings and to exercise voting rights are those 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 a legal representative who needs not be a shareholder, or the independent proxy. The Board of Directors issues further rules in relation to attendance and representation at shareholders' meetings, including the electronic issuance of proxies and instructions to the independent proxy.

### 7.2 Quorums required by the articles of association

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.

### 7.3 Convocation of the general meeting of shareholders

The AGM of shareholders 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 2016, the AGM for shareholders is scheduled for 11 May.

Shareholders representing at least one-tenth of the share capital may at any time request that a shareholders' meeting be called. The request 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.

### 7.4 Inclusion 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.

### 7.5 Entries in the 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.

# Corporate governance report

## 8. Changes of control and defense measures

### 8.1 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.

### 8.2 Clauses on change of control

The contracts with the members of the Board of Directors and the Executive Committee do not contain any change of control clauses.

In particular, no protection measures such as

- severance payments in the event of a takeover ("golden parachutes");
- special provisions on the cancellation of contractual arrangements;
- agreements concerning special notice periods or longer-term contracts where they exceed 12 months (in line with OaEC);
- the waiver of lock-up periods (e.g. no options that can be exercised with immediate effect);
- shorter vesting periods/accelerated vesting; and/or
- additional contributions to pension funds

exist that protect the above-mentioned persons by certain contractual conditions against the consequences of takeovers.

## 9. Auditors

### 9.1 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.

### 9.2 Auditing fees

In the financial year 2015, KPMG AG and other KPMG companies received a total of CHF 0.7 million for audit services.

### 9.3 Additional fees

In addition, KPMG AG and other KPMG companies received TCHF 44 in fees for consulting services (tax, regulatory and IFRS) rendered to Partners Group Holding and its subsidiaries in the financial year 2015.

### 9.4 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 & Audit Committee, which periodically monitors the qualification, independence and performance of the external auditors.

The Risk & 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 2015, the external auditors participated in all meetings of the Risk & Audit Committee in order to discuss audit processes as well as FINMA guidelines and monitoring. Among others, evaluated issues include risk factors and processes.

# Corporate governance report

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 & 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 & Audit Committee (3.5) as well as Internal Audit (3.7.1.3) above.

## 10. Information policy

As a company with its shares listed on the SIX Swiss Exchange AG, 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 2016 are as follows:

Event	Date
Annual General Meeting of shareholders	11 May 2016
Ex-dividend date	17 May 2016
Dividend record date	18 May 2016
Dividend payment date	19 May 2016
AuM announcement as of 30 June 2016	14 July 2016
Publication semi-annual report as of 30 June 2016	13 September 2016

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>.

Partners Group's compensation report outlining the 2015 compensation recommendations for the Board of Directors and Executive Committee can be found on the Partners Group website at <http://www.partnersgroup.com/en/shareholders/corporate-governance/compensation-report/> or in the 2015 annual report.

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## 11. Non-applicability/negative disclosure

It is expressly noted that any information not contained or mentioned herein is non-applicable or its omission is to be construed as a negative declaration (as provided for in the SIX Exchange Regulation Corporate Governance Directive and the Commentary thereto).

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# Partners Group

REALIZING POTENTIAL IN PRIVATE MARKETS