



Annual Report 2017

Building a platform for continued success



Partners Group
REALIZING POTENTIAL IN PRIVATE MARKETS

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2017 was a successful year for Partners Group. Strong client demand coupled with continued growth in investment activities and underlying portfolio realizations enabled us to generate solid financials across the board and further consolidate our position as one of the world's leading private markets investment managers. Revenues increased to over CHF 1 billion for the first time and we expanded our platform to over 1'000 highly talented and dedicated professionals. With a market capitalization of CHF 18 billion at year-end, Partners Group is one of the most valuable listed private markets investment managers globally.

Key figures

1'036

professionals

19

offices around
the world

EUR
62
billion

assets under
management

1.89%

revenue margin

CHF
1'245
million

revenues¹

CHF
825
million

EBITDA

CHF
752
million

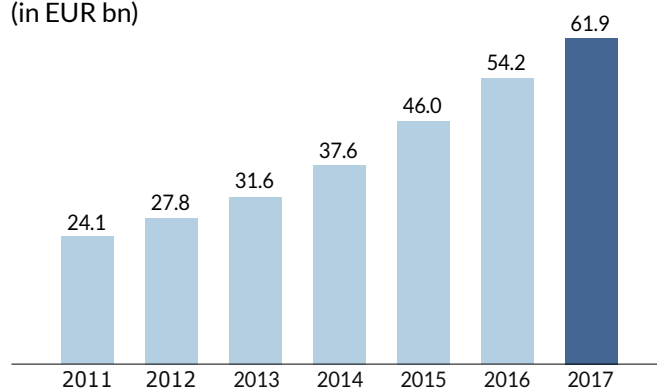
IFRS profit

CHF
19.00
per share

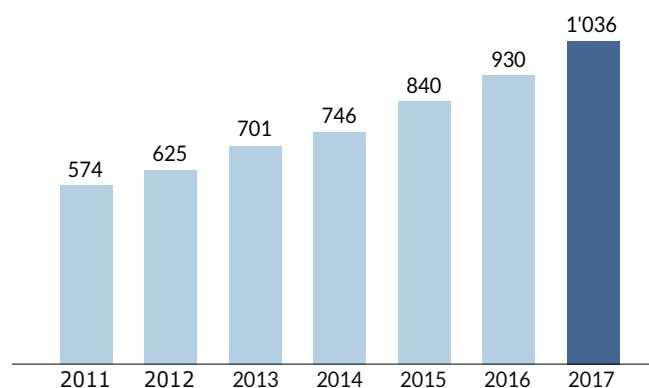
proposed dividend

¹ Revenues from management services, net, including other operating income and share of results of associates.

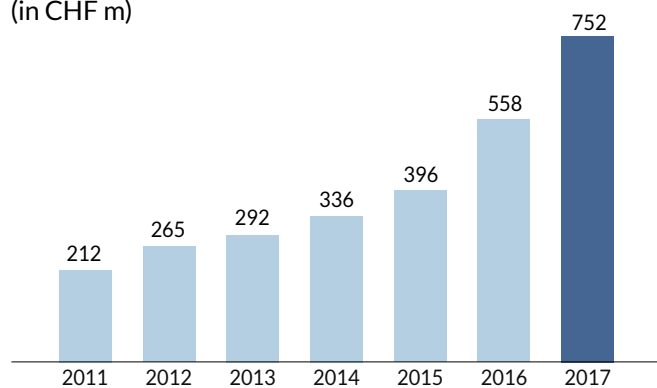
Total AuM¹
(in EUR bn)



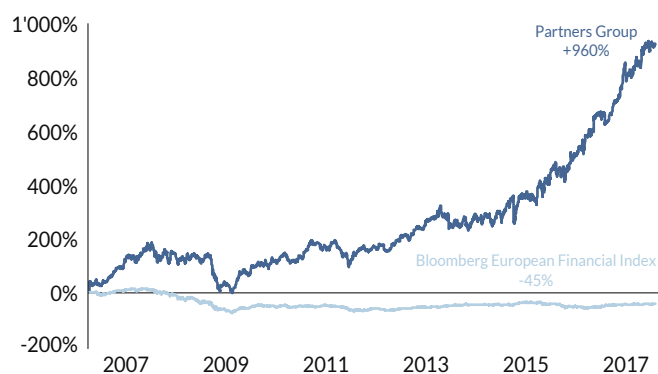
Number of professionals



Profit²
(in CHF m)



Share price development since IPO



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

Key figures

Key performance indicators	2016	2017
Assets under management as of the end of the year (in EUR bn)	54.2	61.9
Revenue margin ^{1,2}	1.74%	1.89%
Revenues (in CHF m) ²	973	1'245
EBITDA margin	62%	66%
EBITDA (in CHF m)	601	825
Financial result (in CHF m)	38	36
IFRS profit (in CHF m)	558	752
Net liquidity position at end of year (in CHF m) ³	895	1'266
Shareholders' equity (in CHF m)	1'541	1'956
Return on shareholders' equity (ROE)	40%	43%
Equity ratio	80%	67%

1 Based on average assets under management (in CHF) calculated on a daily basis. **2** Revenues from management services, net, including other operating income and share of results of associates. **3** Including loans to products and borrowings.

Share information as of 31 December 2017

Share price (in CHF)	668.00
Total shares	26'700'000
Market capitalization (in CHF bn)	17.8
Free float ¹	84.96%
Diluted shares (weighted average)	26'781'213
Diluted earnings per share (in CHF)	28.09
Dividend per share (in CHF) ²	19.00
Dividend yield per share ²	2.8%
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 2018 Annual General Meeting of shareholders; yield as of 31 December 2017.

Corporate calendar

9 May 2018	Annual General Meeting of shareholders
14 May 2018	Ex-dividend date
15 May 2018	Dividend record date
16 May 2018	Dividend payment date
12 July 2018	Assets under management announcement as of 30 June 2018
11 September 2018	Publication of Semi-Annual Report as of 30 June 2018

Message from the Chairman and the Co-CEOs

Dear clients, business partners and fellow shareholders,

2017 was another successful year for Partners Group. We received total client demand of EUR 13 billion and invested a total of USD 13 billion on behalf of our clients. Revenues increased for the first time to over CHF 1 billion, attributable to substantially higher revenues from management fees and continued solid performance fees. Net profit in 2017 reached a record of CHF 752 million, increasing by 35% year on year.



Christoph Rubeli Co-CEO, **Dr. Peter Wuffli** Chairman of the Board of Directors, **André Frei** Co-CEO

Based on the solid development of the business in all asset classes and regions, the operating result, and our confidence in the sustainability of the firm's growth, Partners Group's Board of Directors will propose a **dividend** of CHF 19.00 per share to its shareholders at the Annual General Meeting on 9 May 2018. This represents a dividend increase of 27% year on year.

To put Partners Group's results into context, 2017 was also a successful year for the private markets industry more broadly. With global interest rates still low on a historical basis and public markets showing signs of increased volatility, the appeal of private markets to institutional investors globally has grown even stronger. Today, almost all large and sophisticated institutional investors have **allocations** to one or more private markets asset classes. In fact, we believe that private markets are a key building block in modern portfolio management, driving investment returns.

As a result, the private markets investment management industry continues its process of **institutionalization**. A key topic in this regard is leadership development and succession planning to ensure organizational stability in line with clients' investment horizons, which often exceed ten years. At Partners Group, this has been a long-term focus of the Board of Directors. The growth of our investment platform requires continuous evaluation of the ideal leadership structure to support the firm's evolving business and corporate needs. Consequently, we announced further adjustments to our organizational structure and global leadership team in mid-2017. These included the streamlining of our Executive Committee and enabled a greater number of our senior partners to focus on their important investment- and client-related responsibilities, while ensuring continuity and stability within our core leadership team.

Among other positive impacts, these adjustments enabled the further build-out of our dedicated **Portfolio Management** team. The team supports our clients by constructing and regularly adjusting diversified private markets mandates that achieve their NAV targets and meet their specific portfolio requirements in line with our evolving relative value investment views. Demand for these portfolio management capabilities has increased as private markets have become an increasingly integral part of clients' portfolios.

While the overall picture for the private markets industry – and Partners Group itself – is highly supportive in terms of client demand, we are more cautious in our **outlook on the investment side**. We observe that many market participants are willing to accept lower expected returns on investments and, as a result, it has become difficult to transact on attractive assets at reasonable prices.

As our industry becomes further institutionalized, leadership development and succession planning are key to organizational stability.

Despite this, we were able to close on several highly attractive **transactions in 2017** on behalf of our clients. Examples of private equity transactions include the acquisition of United States Infrastructure Corporation, a leading provider of underground utility locating services in the US, and the acquisition of Civica, a leading UK-based provider of business-critical software and technology-based outsourcing services

Message from the Chairman and the Co-CEOs

to public sector organizations and commercial organizations in highly regulated sectors. On the private infrastructure side, in December 2017, we signed an agreement to invest in Borssele III/IV, a 730MW construction-ready offshore wind farm in the Netherlands. Once it is fully operational, Borssele III/IV is expected to generate about 3TWh per annum, enough electricity to power approximately 800'000 households. In private real estate, we agreed to develop over 1'700 residential apartments in the Greater Stockholm area, with one of the towers expected to be among the highest residential buildings in Northern Europe. We also completed the acquisition of 73 Miller Street, an office building in North Sydney, Australia, where the value-added business plan will involve the refurbishment of the property to bring it to Grade-A standard.

Under current market conditions, having a value creation-focused investment process from sourcing through due diligence to ownership is critical to achieve outperformance. The time has long passed when 'buying smart' was enough to ensure an attractive investment outcome, purely from the valuation uplift. We have invested considerable time and capital into building out our value creation abilities in recent years and today have the largest **Industry Value Creation (IVC)** team in the industry focused on the extended middle market. The team's mandate is to work alongside investment teams at all stages of the investment process, assessing and then implementing a bespoke strategy to produce value in each direct investment.

In 2017, our IVC team grew further across all regions and the fruits of their value creation initiatives have become increasingly visible. During the year, the IVC team, together with our investment professionals, was able to increase revenues by 20% and EBITDA by 18% across our **direct private equity portfolio**. At the same time, the different growth strategies at our direct private equity portfolio companies created over 13'000 new jobs. In our direct private real estate portfolio, we launched almost 200 value creation initiatives, were able to achieve net operating income growth of 28%, and created office space for about 3'200 workers with our investments in 2017. Meanwhile, value creation strategies for our direct infrastructure portfolio resulted in a 41% EBITDA increase and 26% average progress in construction (and consequent construction de-risking), with construction budgets being met for all our core assets under construction.

Among the notable successes in private equity in terms of value creation was our active involvement with VAT Group AG, the Swiss-listed global leader in the production of high-end vacuum valves, for which we won Private Equity International's **Operational Excellence Award 2017** in the large cap category. We recently completed our exit from VAT Group AG on behalf

of our clients and generated a gross return of 6.0x on the original investment. We also recently agreed to the sale of Trimco International Holdings, a Hong Kong-headquartered provider of labels and brand identification solutions to the apparel sector, generating a 3.4x return on the original investment.

We have moved confidently into 2018 and see solid demand for our new investment programs and mandates from clients across the globe.

In addition to these successful private equity transactions, we initiated a series of significant exits in 2017 (that materialized in early 2018) from our **direct private infrastructure portfolio**, taking advantage of the attractive selling conditions to capture outsized returns for our clients. These include the sale of our investment in Silicon Ranch Corporation, a leading developer, owner and operator of solar energy facilities in the US; the sale of our investment in the Victorian Comprehensive Cancer Centre, a cancer research, treatment and education centre in Melbourne, Australia; and the sale of our investment in Japan Solar, a 610MW platform of Japanese solar power assets that will generate enough energy to power around 133'000 households once its secured projects become operational, generating a blended gross return of 3.2x on the original investment. Also in private infrastructure, we recently announced the closing of a EUR 3 billion pool of capital for direct private infrastructure investment, a significant increase on the last direct fundraise and a strong endorsement of our approach from clients.

During the year, we saw increased emphasis placed on responsible investment and proactive action on **environmental, social and governance (ESG)** considerations within private markets. All of Partners Group's investments are subject to our Responsible Investment Policy and Methodology with its strict ESG standards. In 2017, we were awarded the highest possible A+ rating for our Responsible Investment Strategy and Governance for a third consecutive year, as well as a first-time A+ rating for our approach to Direct Private Equity from the UN PRI.

Increased emphasis was also placed on the topic of **diversity**. As an equal opportunity employer, Partners Group is committed to ensuring a non-discriminatory environment and to promoting diversity of perspectives. We are transparent about gender

Message from the Chairman and the Co-CEOs

diversity and acknowledge an imbalance in the ratio of males to females at senior management level. Due to Partners Group's preference for developing homegrown talent where possible, we anticipate that most of tomorrow's female leaders will be developed from among today's junior and mid-level professionals. Today, there are already more female than male employees at junior levels. It will, however, take some time to meaningfully improve our gender balance at management level, although the retention and further development of our female talent is a focus topic for us in 2018 and beyond.

In terms of our **outlook for 2018**, we have moved confidently into the year and see solid demand for our new programs and mandates from clients across the globe. We expect management fees to continue to grow alongside AuM and performance fees to remain within the expected bandwidth of around 20-30% as a proportion of total revenues, assuming that the market remains favorable to exits. Our balance sheet remains solid with CHF 2 billion in shareholders' equity and net liquidity of over CHF 1 billion, leaving us well-equipped to realize the potential of private markets in different economic environments.

We thank our clients and business partners for their continued trust in Partners Group. We also thank our shareholders for their support and commitment. And we are deeply grateful to our colleagues for their intense and thoughtful work, their energy and drive, as well as their loyalty to our firm.

Yours sincerely,



Dr. Peter Wuffli

Chairman of the Board of Directors



André Frei

Co-Chief Executive Officer



Christoph Rubeli

Co-Chief Executive Officer



Andreas Baumann Head Private Equity Integrated Investments | **Adam Howarth** Head Portfolio Management Americas

We believe private market governance practices enable superior long-term value creation. Partners Group's Board of Directors strives to uphold such practices in order to generate the same long-term value for our shareholders.

2017 at a glance – Partners Group's business model and review of financial performance



Investments

USD 13 billion invested on behalf of our clients in a highly disciplined manner to create sustainable value.

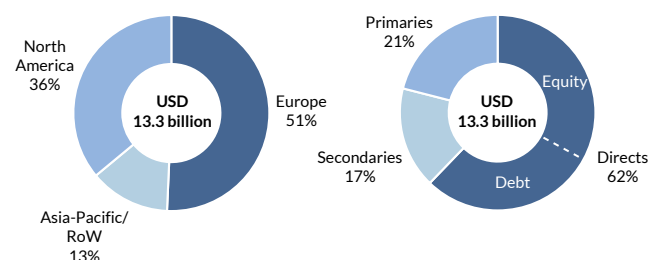
In 2017, we expanded our platform to 1'036 employees (2016: 930) across 19 offices with the aim of systematically sourcing and ultimately investing in an even larger opportunity set. We continued to pursue our highly disciplined and prudent approach to source and execute the most attractive investment opportunities in an uncertain market environment. With a focus on corporate, real estate and infrastructure assets where active value creation remains the key driver of returns, we invested a total of USD 13.3 billion (2016: USD 11.7 billion) on behalf of our clients during the period:

- Of this amount, a total of USD 8.3 billion (62% of all investments) was deployed in direct transactions across all asset classes: USD 4.1 billion in 30 individual assets across private equity, private real estate and private infrastructure and USD 4.2 billion in 47 private debt investments.
- Our secondaries investment teams invested a total of USD 2.2 billion (17% of all investments) in globally diversified private markets portfolios.
- To complement our direct and secondary investments, we committed USD 2.8 billion (21% of all investments) to select private markets managers.

2017 was characterized by a highly competitive market environment with high levels of dry powder fueling competition for investments and supporting high asset valuations, while also pushing down expected returns. In 2017, we overweighted credits and shifted our overall investment mix towards higher volume but lower return credit markets.

Investment activities continued to remain geographically diversified in 2017, with 51% of capital invested in Europe, 36% in North America and 13% in Asia-Pacific and emerging markets, reflecting our global reach and scope.

Private markets investments during 2017 (based on volumes)



Note: figures exclude investments executed for short-term loans, cash management purposes and syndication partner investments.

Highly selective screening and disciplined investment approach to create sustainable value

Our relative value investment approach endeavors to ensure that only the most attractive assets on a global basis are selected for investment. Moreover, for all investments we also follow a stringent ESG assessment according to our Responsible Investment Policy and Methodology.

In 2017, we screened 3'843 direct transactions across asset classes and invested in only 77 of them, resulting in a decline rate of 98%. Our secondary investment specialists screened USD 137 billion in private markets assets and invested in less than 2% of these. To complement our portfolio, we committed USD 2.8 billion to select private markets investment managers. We are invested in more than 700 private market funds and sit on over 250 advisory boards, which makes us a respected and appreciated global investor and business contributor to many private market managers.

2017 at a glance – Partners Group's business model and review of financial performance

Deal flow 2017

	Directs	Secondaries	Primaries
Private equity	1'482	USD 88 billion	193
Private debt	424	n/a	n/a
Private real estate	1'084	USD 39 billion	204
Private infrastructure	853	USD 10 billion	77
Total	3'843	USD 137 billion	474
Executed	USD 8.3 billion 30 assets & 47 credits*	USD 2.2 billion 26 transactions	USD 2.8 billion 34 commitments

*USD 4.1 billion invested in 30 assets, USD 4.2 billion invested in 47 credits.

Note: figures exclude investments executed for short-term loans, cash management purposes and syndication partner investments. The number of credits does not include liquid loans in the syndicated debt market.

Private market investments in 2017

Private equity

In spite of the near-record pricing, our strategies to realize relative value potential in the private equity space remain unchanged and we continue to focus on companies with three defining characteristics. First, we acquire platform companies with a strong management team and infrastructure, and then purchase add-on companies to further grow the platform. Second, we actively screen sub-segments of the market and focus on identifying category winners that are leaders in the sub-segment in terms of market share or growth potential. Third, we search for niche leaders with value creation potential and strong defensive characteristics.

The transformative trends we are most focused on in the current market environment in North America are the specialization and digitalization of services offered by companies in the business services, technology, media and telecommunications (TMT), and consumer sectors as well as the Industry 4.0 trend. In Europe, one significant transformative trend we focus on is cost optimization across both the public and private sector, from corporates through healthcare providers to governments. Last but not least, we continue to see a compelling transformative trend in the emergence of a large middle class in emerging markets. We anticipate that this new middle class will initially direct its discretionary income towards personal health, education, and select consumer goods, largely mirroring the consumer spending patterns witnessed across developed markets.

Select 2017 investment examples are shown below:

In November 2017, we acquired **United States Infrastructure Corporation (USIC)**, a leading provider of underground utility locating services in the US. The company employs more than 7'500 technicians and performs over 70 million utility locating services annually ahead of excavation or maintenance works. USIC currently serves around 1'000 customers in all major utility segments, including cable, telecommunications, electricity, gas, water and sewage. USIC is an example of a specialized market leader which has leveraged its digital mapping of the underground landscape of many high volume locate areas to make it the lowest cost and most reliable locate service in many geographic sub-markets. Moreover, the company uses telematics fleet tracking software to optimize its employee and fleet utilization. USIC is a great example of a company that has paired deep sector knowledge with digital solutions to become a category leader ten times the size of its next largest competitor. Our value creation strategy will focus on increasing organic growth by expanding USIC's service offering in adjacent markets, supporting its M&A strategy and improving key operational metrics.



United States Infrastructure Corporation

2017 at a glance – Partners Group's business model and review of financial performance

In October 2017, we acquired **Civica**, a leading UK-based provider of business-critical software and technology-based outsourcing services to both public sector organizations and commercial organizations in highly regulated sectors. The company has a highly diversified customer base, including local and central governments, healthcare providers, housing associations, schools, and police and fire services, serving 2'000 major customers in ten countries. Civica's software offering is highly scalable as many public sector clients throughout the world face the same challenges in digitalizing their operations, which in turn requires minimal customization of Civica's current offering. We believe that increasingly, public sector entities will look to such software offerings in their quest to improve services while keeping costs under control. Our value creation strategy will be to work closely with management to help accelerate international growth and support the acquisition of complementary and accretive services as well as increase customer penetration with digital and outsourcing services and product innovation.

Private real estate

The real estate market continues to exhibit high levels of dry powder and the search for yield continues to drive up prices. Supported by the positive spreads between cap rates and long-term government bond yields, institutional investors have been incrementally raising their target allocations to real estate. In this competitive market environment, we continue to prefer properties and locations benefiting from social and demographic trends. In the office space, we focus on value-added properties in major tier 1 cities and economically vibrant tier 2 cities across all regions, with a view to creating the core assets that many investors are seeking. For logistics, we favor centralized and 'last mile' distribution properties that support demand from e-commerce. In the residential sector, we pursue opportunities in markets with strong population and employment growth where we seek to develop affordable Class A apartments and upgrade Class B apartments, catering to the need for affordable alternatives to traditional Class A apartments.

Our overarching strategy is to focus on special situations: we seek to unlock hidden potential and generate attractive risk-adjusted returns in today's competitive market environment with bespoke solutions. In addition, we believe that implementing specific value creation initiatives such as capex projects and rental growth initiatives is key to success.

Select 2017 investment examples are shown below.

In August 2017, we agreed to develop over **1'700 residential apartments in the Greater Stockholm area** in a joint venture with SSM, a leading Stockholm-based residential developer. The total value of the completed properties is expected to be in excess of EUR 700 million. The project comprises three separate residential developments, all located within a 15-minute train ride from central Stockholm. The developments seek to provide small, but fully functional residential units at a modest price where the need for affordable housing is significant. Tellus Towers will be the largest of the three projects and will include two high-rise residential towers, a hotel, retail space and a preschool over a total floor area of 57'000 square meters. At 78 stories, the taller of the two towers is expected to be among the highest residential buildings in Northern Europe.



Visualization of Tellus Towers

2017 at a glance – Partners Group's business model and review of financial performance

In December 2017, we completed the acquisition of **73 Miller Street**, an office building in North Sydney, Australia, for a total transaction value of around AUD 205 million. The transaction involves a clear repositioning and active asset management strategy and is supported by strong, local growth trends. On the one hand, rents in Sydney's central business district have risen considerably, driving some tenants to search for more affordable office locations in other commercial districts including North Sydney. On the other hand, there have been substantial infrastructure upgrades in the North Sydney area, which have increased its connectivity. Following the acquisition, we will execute a value-added business plan involving the creation of an extra 13% of additional retail space and the refurbishment of the property to bring it to Grade-A standard.

Private debt

Private debt markets remain robust, both in terms of investment activity and fundraising levels. Demand for direct and subordinated loans remains strong on the back of significant amounts invested by private equity funds and a growing number of private equity transactions that require refinancing. Overall, given their bespoke nature, private direct loans continue to offer an additional premium over liquid loans and generally better downside protection compared to the liquid loans and high yield markets through tighter documentation, including maintenance covenants that protect buy-and-hold credit investors until repayment.

Subordinated debt financing solutions continue to be employed in the market, with second lien remaining a prevalent component. Return potential remains attractive in this space, where spreads offer more than a 400bps return difference compared to new issue first lien liquid loan spreads.

In the current market environment, we remain disciplined in our credit selection process and, within our key investment strategies (see page 30), continue to focus on companies with three defining characteristics: recession resilience, stable recurring cash flows, and high cash conversion levels. In particular, add-on acquisitions in fragmented sub-sectors, such as business software services and clinical trial outsourcing, can provide complementary services across regional platforms, vertical specialists, or fold-ins to platforms.

A 2017 investment example is shown below.

In June 2017, we structured and arranged a second lien investment, which allowed for the refinancing and separation of **VFS Global** from Kuoni Group, a service provider to the global travel industry. VFS Global manages administrative and non-judgmental tasks related to visa, passport, identity and citizen services on behalf of its government clients. The company has a strong track record as it operates close to 2'500 application centers in 130 countries and has processed over 160 million applications since its inception in 2001. It is a clear market leader with around 48% market share globally. The industry also has high barriers to entry due to the government tender process for these services and the high number of centrally awarded multi-country contracts. VFS benefits from positive drivers such as the growth in global travel volumes, the increased focus on border security and the growth of visa applications outsourcing. Our subordinated financing solved VFS Global's specific needs throughout a complex separation and also supported the company's acquisition of a complementary business in the emerging markets.

Private infrastructure

The record volume of capital available for private infrastructure is fueling competition for investments and bringing asset valuations to new highs, while also pushing down returns. In terms of deal origination, we continue to focus on building core assets or expanding infrastructure platforms. Our investment activity concentrates on the renewable energy, communications, and energy infrastructure sectors, all of which benefit from positive transformative trends. In the renewable energy sector, we focus on offshore wind, which we believe offers the most attractive opportunities based on a number of factors, including available investment sizes and expected returns. In wind energy alone, we have committed to invest in onshore and offshore projects totaling over 1.8GW in Europe, Asia and Australia since 2011. This highlights our continuous dedication and focus on responsible and sustainable investment.

A 2017 investment example is shown on the next page.

2017 at a glance – Partners Group's business model and review of financial performance

Through our investment in **Merkur Offshore**, an offshore wind farm in Germany, and through our participation in several other European offshore wind processes, we have developed deep expertise in the sector, which we are currently using in our investment in **Borssele III/IV**, a 730MW construction-ready offshore wind farm in the Netherlands, which we signed in December 2017. With the Dutch government committed to achieving 16% of its energy production from sustainable sources by 2023 as part of a National Renewable Energy Action Plan, we believe the project is both timely and critical in helping the country achieve that aim. Once it is fully operational, Borssele is expected to generate about 3TWh per annum, enough electricity to power approximately 800'000 households. Borssele is a strong fit with our investment strategy due to its attractive relative value proposition and the opportunity to enter the project at an early stage, but without taking development risk. We will add value by shaping the debt process and final engineering, procurement, and construction negotiations.



Merkur Offshore

USD 12 billion in gross portfolio distributions in 2017

In 2017, we were able to realize a significant number of private markets assets on behalf of our clients, leading to a total of USD 11.8 billion in gross portfolio distributions. Some distributions to evergreen programs were re-invested for the benefit of the program's investment exposure. Other distributions enabled a number of mature closed-ended investment programs to pay out performance fees.

In 2018, we continue to take advantage of the benign environment to capture attractive returns through well-timed exits. Select examples, initiated towards the end of 2017 and completed in January 2018, are given opposite.

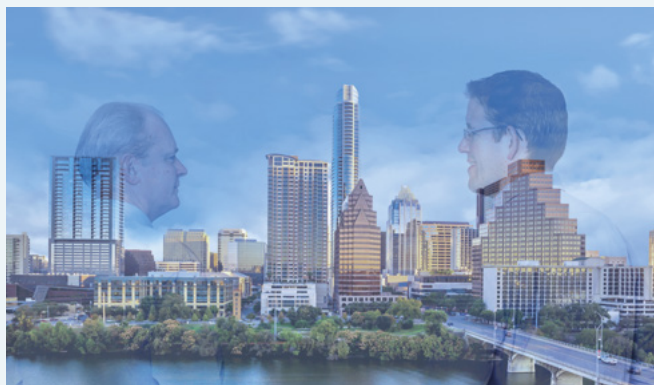
We acquired **VAT Group AG**, the leading global developer, manufacturer and supplier of high-end vacuum valves, in February 2014, together with our investment partner Capvis. With our support, VAT was able to grow its revenues by a CAGR of 11% between 2013 and 2015, eventually listing on the SIX Swiss Exchange in April 2016 (ticker: VACN) with an offer price of CHF 45. We completed the third placement of our shares in the third quarter of 2017 and sold our remaining stake in January 2018. The sale completed our exit from the company, which has generated a gross return of 6.0x on the original investment and a gross IRR of 74%.

In January 2018, we agreed to sell our investment in **Trimco International Holdings Limited**, a Hong Kong-headquartered global provider of labels and brand identification solutions to the apparel sector. The company was acquired for USD 520 million, generating a 3.4x return on the original investment. We acquired Trimco in May 2012 on behalf of our clients and subsequently worked closely with the senior management team to oversee a period of expansion in which the company quadrupled its business and grew from an Asia-centric manufacturing specialist into a global leader in its field. Our global footprint and expansive network enabled Trimco to fast-forward its international expansion strategy through targeted add-on acquisitions as well as organic growth.

In January 2018, we sold our investment in the **Victorian Comprehensive Cancer Centre (VCCC)**, a cancer research, treatment and education centre in Melbourne, Australia. As Australia's first dedicated, state-of-the-art cancer research and treatment facility, the VCCC was envisaged to save lives through the integration of research, education and patient care. The completed centre has 13 levels, 160 inpatient beds, 110 day beds and eight operating theatres, and can host up to 1'200 researchers. The VCCC was completed on time and on budget at a total cost of AUD 1 billion and operations began seamlessly in June 2016. With the facility now fully operational, and having received strong interest from potential buyers, we decided to divest our stake in this groundbreaking centre ahead of the original investment plan.

In January 2018, we sold our stake in **Japan Solar**, a platform of Japanese solar power assets, generating a blended gross return of 3.2x on the original investment for Partners Group's programs. At the time of the sale, Japan Solar consisted of 27 secured projects totaling more than 610MW of capacity, of which over 200MW was operational and contracted into long-term power purchase agreements with Japanese electric utility companies. It is estimated that once Japan Solar's secured projects become operational, they will generate enough energy to power around 133'000 households.

2017 at a glance – Partners Group's business model and review of financial performance



Clients

EUR 13 billion gross client demand in 2017; AuM stands at EUR 62 billion.

Since Partners Group's IPO in 2006, we have seen a sustained growth in assets under management (AuM). Clients from all over the world have entrusted us with their capital in order to increase their exposure to private markets in different economic environments.

In 2017, we continued to see strong client demand across asset classes and regions, mainly driven by ongoing transformative trends in the asset management industry.

The most important structural driver remains the growth in institutional AuM combined with rising allocations to private markets. This has led to a CAGR of over 10% for the private markets industry over the last decade.¹ Partners Group has benefited from this trend and has been able to outpace the market. This is in particular due to the fact that investors increasingly turn to managers with a truly global and institutional set-up. These managers are required to:

- cover multiple asset classes;
- create value at asset-level and throughout cycles; and
- onboard sizable commitments and manage them through comprehensive ancillary portfolio services.

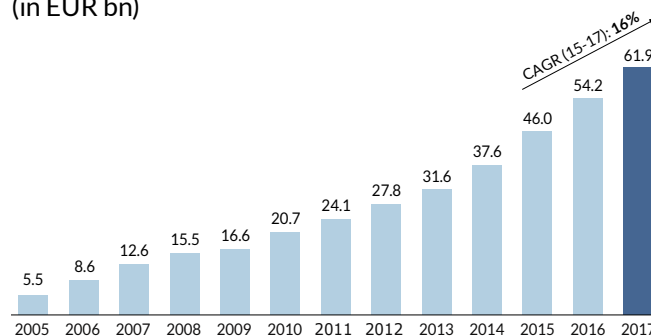
In 2017, we further consolidated Partners Group's position among the global leaders in private markets investment management with our institutionalized operational set-up and the ability to provide global solutions across private markets asset classes and capital structures.

AuM grew to EUR 62 billion; up 14% year on year

We received EUR 13.3 billion in new commitments from our global client base across all private markets asset classes in 2017, moderately exceeding the communicated expected bandwidth of EUR 10-12 billion for the full year.

Total AuM stood at EUR 61.9 billion as of 31 December 2017 (2016: EUR 54.2 billion), an increase of 14% year on year.

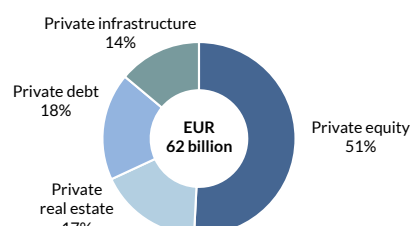
Total AuM (in EUR bn)



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

The breakdown of total AuM as of 31 December 2017 is as follows: EUR 32 billion private equity, EUR 11 billion private debt, EUR 11 billion private real estate, and EUR 8 billion private infrastructure.

AuM by asset class



Note: as of 31 December 2017.

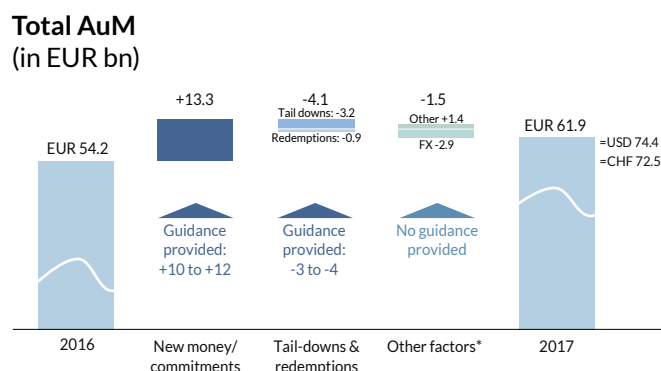
¹ Partners Group's calculation based on data provided by Preqin (December 2006-June 2017).

2017 at a glance – Partners Group's business model and review of financial performance

Next to gross client demand of EUR 13.3 billion in 2017, there were EUR -3.2 billion (2016: EUR -2.0 billion) in tail-down effects from mature private markets investment programs and EUR -0.9 billion (2016: EUR -0.6 billion) in redemptions from liquid and semi-liquid vehicles, amounting to a total of EUR -4.1 billion for the full year (guidance provided: EUR -3 to -4 billion).

Given that 36% of Partners Group's AuM is USD-denominated, the weakening of the US Dollar against the Euro by 12% in 2017 negatively affected the firm's total AuM in Euros. In 2017, foreign exchange effects amounted to EUR -2.9 billion.

Performance-related and other effects from certain investment vehicles contributed EUR +1.4 billion in 2017. As a result, AuM increased by EUR 7.8 billion for the full year.



Client demand across all asset classes

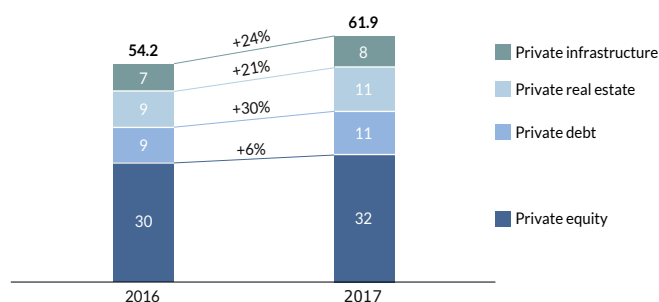
Private equity was the largest contributor to assets raised in 2017, representing 36% of all new commitments. The demand was split across a wide range of products and mandates with the flagship private equity direct program and the global private equity integrated programs being the main contributors. The year on year growth rate of private equity AuM amounted to 6% (the FX-adjusted growth rate amounted to 9%).

Private debt has seen a strong increase in demand, representing 26% of total new commitments. The demand was spread over several different programs and mandates, including, among others, the private markets credit strategy focusing on corporate senior debt and the multi-asset class strategy. We are also in the process of raising several new syndicated CLOs, allowing our clients to gain broader access to liquid senior debt market. The year on year growth of private debt AuM amounted to 30%.

Private real estate demand represented 22% of all new commitments. In H2 2017, one of our main flagship real estate programs was launched and started to contribute substantially to fundraising. Our private real estate business continues to profit from real asset demand globally and grew 21% year on year.

Private infrastructure represented 16% of overall client new commitments. Demand was spread over a number of different investment programs, with the largest contributors being the flagship global direct and global integrated investment programs. In 2017, private infrastructure AuM grew by 24%.

AuM (in EUR bn)



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

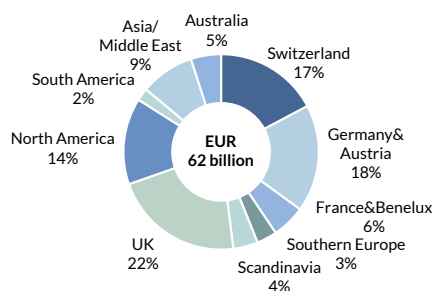
We have an international client base of over 1'000 institutional investors around the world. In 2017, client demand was again well-diversified across regions: notably strong countries in continental Europe were **Switzerland, Germany and France & Benelux** which together contributed around 40% of total inflows. Over 30% of AuM growth came from the **UK and US**. However, given the size of the US pension market, our market share is comparably smaller than in other regions. As such, there is significant potential ahead of us which we aim to realize in the years to come. The remainder was contributed by all other regions across the globe, with **Asia** and **Australia** also making a notably strong contribution.

To put our results into context, 2017 was also a successful year for the private markets industry more broadly. We benefited from a continued cycle of expansion in private markets and remained disciplined in capping our funds. Our dry powder was kept at reasonable levels, while still providing our clients with the capacity and flexibility to invest when attractive opportunities arise.

2017 at a glance – Partners Group's business model and review of financial performance

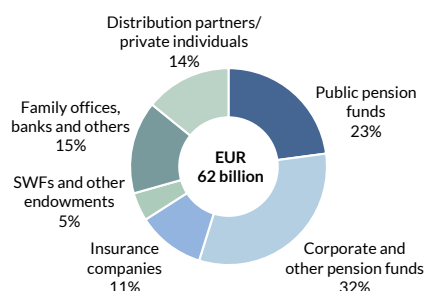
The chart below shows our AuM by region as of 31 December 2017.

AuM by region



The chart below shows our total AuM by investor type as of 31 December 2017.

AuM by type



Client demand from pension funds still the major contributor

We continued to grow all of our private markets asset classes with different types of investors and entered into new collaborations with some of the largest and most sophisticated institutional investors globally. In 2017, **corporate, public and other pension funds** continued to be the key contributors to AuM growth, representing about half of the total client demand during 2017. These investors typically seek to further enhance the risk/return profile of their portfolios by reducing traditional public markets exposure. **Insurance companies** accounted for around 10% of overall assets raised in 2017 and became increasingly active in private markets investments, displaying particular appetite for our yield-generating private debt offerings. **Sovereign wealth funds and endowments** accounted for approximately 5% of total assets raised in 2017 and generally engage with us seeking highly tailored private markets solutions to complement their existing portfolios. We saw increasing demand from **distribution partners/private individuals**, which represented 15% of client demand in 2017. These types of investors recognize the benefits of private markets and aim to mirror the allocations of institutional investors in their private portfolios. Usually, they seek to access private markets through liquid and semi-liquid structures, which are still unusual in an industry dominated by illiquid, long-duration funds. Approximately 20% was split among **family offices**, banks and other investors.

Partners Group has been a notable pioneer in the structuring of innovative liquid and semi-liquid programs for investors and as of the end of 2017 managed around 20% of its total AuM in such vehicles.

2017 at a glance – Partners Group's business model and review of financial performance



Client outlook

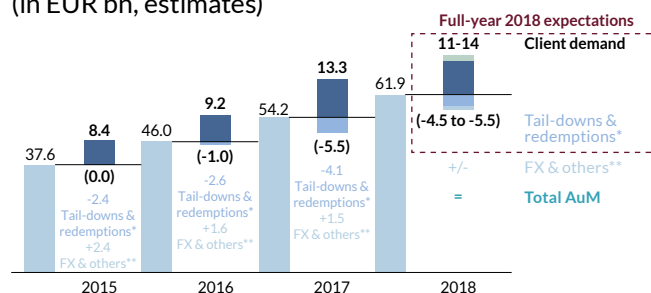
2018 gross client demand expected to lead to similar results as last year; new guidance EUR 11-14 billion.

Client demand in 2017 was characterized by the successful closing of a number of flagship programs across all private markets asset classes. We have started 2018 with a sustained pipeline of demand from clients across the globe and expect the supportive fundraising environment to lead to similar results as last year.

For the full-year 2018, we project gross client demand of EUR 11-14 billion, together with EUR -4.5 to -5.5 billion in tail-down effects from our more mature investment programs, including potential redemptions from liquid and semi-liquid programs.

This increase in demand is anticipated as a result of the continued build-out of our investment platform, which enables us to offer our clients the investment capacity they look for, as well as strong interest from existing clients and prospects to invest in private markets with Partners Group based on our global reach, investment track record and service excellence.

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



*Tail-downs & redemptions: tail-downs consist of maturing investment programs (typically closed-ended structures); redemptions stem from liquid and semi-liquid programs (<20% of AuM).
 **Others: consist of performance from select programs and other effects.
 Note: negative effects (2014-2017) consist of both tail-downs & redemptions as well as FX & others.

In 2018, fundraising is again expected to be spread across a variety of programs and mandates, across all asset classes. As in 2017, we expect private debt to be a significant contributor, as we will continue to scale our platform. While no flagship funds are foreseen for 2018, we have a substantial number of established offerings open for investors, such as our semi-liquid structures.

2017 at a glance – Partners Group's business model and review of financial performance



Financials

Net profit reached a record of **CHF 752 million** in 2017; **dividend of CHF 19.00 per share** proposed.

Record bottom line in 2017

Client demand (EUR 13 billion raised), investment activities (USD 13 billion invested) and underlying portfolio realizations (USD 12 billion) in 2017 enabled us to generate strong financial results across the board. Revenues increased for the first time to over CHF 1 billion, attributable to an increase in revenues from management fees, high non-recurring income and continued solid performance fee development.

Revenues increased by 28% year on year to CHF 1'245 million and EBITDA by 37% year on year to CHF 825 million, resulting in a record bottom line of CHF 752 million, an increase of 35% over the same period.

The public market valued Partners Group at CHF 18 billion in market capitalization as of the end of 2017, making it one of the most valuable listed private markets investment manager globally.

Key financials

	2016	2017	Growth
AuM as of the end of the year (in EUR bn)	54.2	61.9	+14%
AuM as of the end of the year (in CHF bn)	58.1	72.5	+25%
Revenue margin ^{1,2}	1.74%	1.89%	
Attributable to management fee margin ^{1,3}	70%	70%	
Attributable to performance fee margin ¹	30%	30%	
Revenues (in CHF m) ²	973	1'245	+28%
Management fees (in CHF m) ³	679	873	+29%
Performance fees (in CHF m)	294	372	+26%
EBITDA margin	62%	66%	
EBITDA (in CHF m)	601	825	+37%
IFRS profit (in CHF m)	558	752	+35%

¹ Based on average AuM (in CHF) calculated on a daily basis. ² Revenues from management services, net, including other operating income and share of results of associates. ³ Management fees include recurring management fees and other revenues, net, other operating income and share of results of associates.

2017 at a glance – Partners Group's business model and review of financial performance

2017 highlights

AuM development drives management fees

Management fees increased by 29%. This disproportionate management fee growth versus the average AuM growth in CHF was mainly due to the successful closings of flagship programs during the period, which resulted in high late management fees and other income.

Performance fees remained solid

We increased our focus on portfolio exits in order to benefit from the attractive selling conditions and to capture outsized returns. Performance fee development therefore continued to be solid, with total performance fees amounting to CHF 372 million in 2017 (2016: CHF 294 million), representing 30% of total revenues (2016: 30%). This is the upper end of our communicated bandwidth of around 20-30% of total revenues in the longer term.

EBITDA margin (temporarily) expanded

The EBITDA margin temporarily increased to 66% (2016: 62%) and was mainly due to the strong increase in revenues deriving from management fees which outpaced the firm's hiring activities during the period. Based on our future growth potential we continue to significantly build out our investment platform and expect our EBITDA margin to revert to our target of ~60% in the mid term.

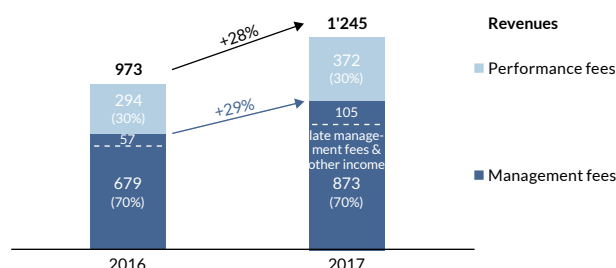
Revenue growth outpaces AuM growth due to higher late management fees and other income

In 2017, revenues rose to CHF 1'245 million (2016: CHF 973 million) and increased by 28%. Management fees increased by 29%, amounting to CHF 873 million (2016: CHF 679 million), growing faster than average AuM in CHF, which increased by 18%. This disproportionate growth was mainly due to the successful closings of flagship programs during the period, which resulted in higher late management fees and other income.² The latter nearly doubled compared to the previous year, amounting to CHF 105 million (2016: CHF 57 million).

² Late management fees and other income amounted to CHF 105 million in 2017 (2016: CHF 57 million), an increase of +85%. Late management fees occur in limited partnership structures, which typically have a contractual life of 10-12 years. At the very beginning of this contractual life, these structures go through a fundraising period of 12-24 months. All clients who commit to open investment programs during this period owe management fees for the entire lifetime of the fund, irrespective of when the commitment was made. This is based on the fact that the firm has already commenced investment management services for these programs from the day of their initiation. Clients who join an investment program at a later stage of the fundraising period are required to pay retrospectively for these previously delivered management services. Any management fee payments relating to prior accounting years are called late management fees. A period in which older programs complete fundraising is more likely to lead to higher late management fees in the same period.

Performance fees continued to remain at a solid level and amounted to CHF 372 million (2016: CHF 294 million).

Revenues (in CHF m)

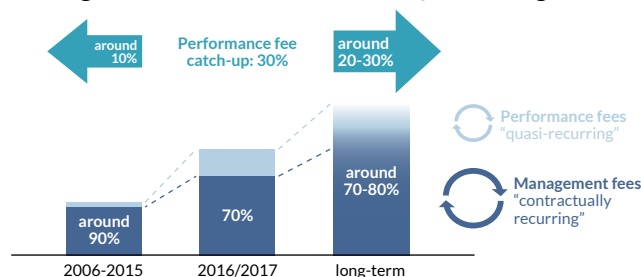


Note: revenues include management fees and performance fees. Management fees include recurring management fees and other revenues, net, other operating income and share of results of associates.

Management fees will continue to be the main source of revenues

Management fees will continue to dominate our firm's revenues in the years to come. Given the anticipated growth in the firm's AuM, management fees are expected to make up around 70-80% of total revenues and will be recurring based on long-term client contracts, with a typical term of 10-12 years for equity and 5-7 years for debt offerings.

Management fees are contractually recurring



Note: assuming that the market remains favorable to exits, Partners Group expects to continue to generate significant performance fees from its underlying client portfolios due to the visibility that it has on the lifecycles of its programs; management fees include recurring management fees and other revenues, net, other operating income and share of results of associates.

We currently manage over 250 diverse investment programs and mandates at different stages of their lifecycle. Our established approach of launching investment programs and mandates to enable clients to capitalize on specific private markets investment opportunities at different points in the market cycle means that there will typically be several investment vehicles maturing at each stage of the cycle. Most of these vehicles entitle the firm to a performance fee, typically subject to pre-agreed return hurdles.

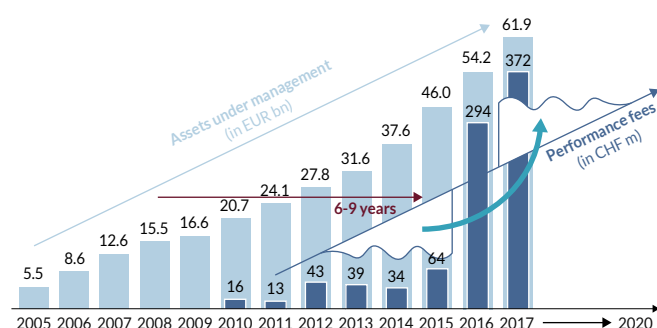
Due to this diversification, we anticipate that performance fees will be earned regularly from a wide range of vehicles going

2017 at a glance – Partners Group's business model and review of financial performance

forward, making them a "quasi-recurring" source of income, assuming market conditions remain broadly supportive.

In 2017, a large number of investment programs and mandates from a wide range of vintages paid out performance fees. For the years to come, we expect to continue to generate significant performance fees from underlying client portfolios. The expected bandwidth for performance fees as a proportion of total revenues remains at around 20-30%, assuming that the market remains favorable to exits.

Performance fee development

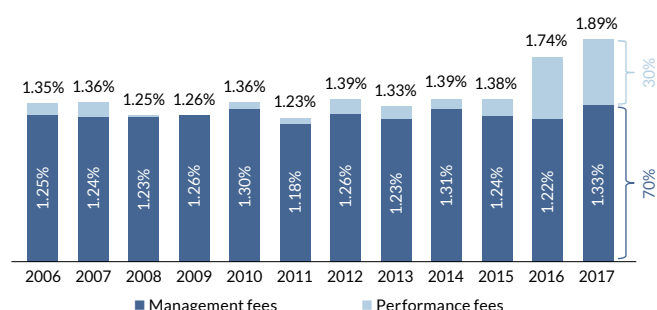


Note: assuming that the market remains favorable to exits, Partners Group expects to continue to generate significant performance fees from its underlying client portfolios.

Stable revenue margin on management fees; higher margins due to higher level of performance fees

The dominant part of our revenue base is still recurring and based on long-term contracts with our clients, providing highly visible cash flows. The increase in management fee margin was driven by higher late management fees and other income, amounting to 1.33% (2016: 1.22%). Performance fees lifted the total revenue margin to 1.89% (2016: 1.74%) during the same period.

Stable management fee margin



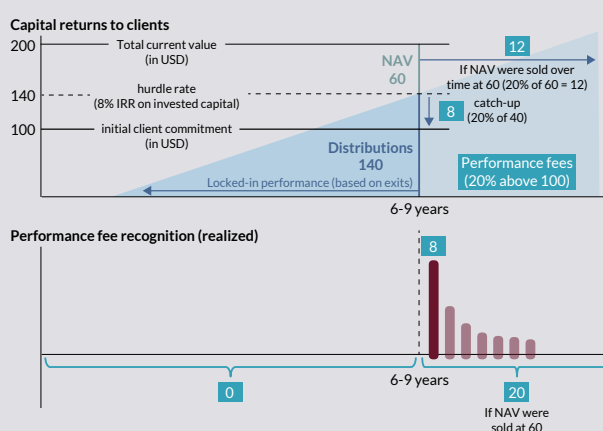
Note: management fees include recurring management fees and other revenues, net, other operating income and share of results of associates; based on average AuM (in CHF) calculated on a daily basis.

Performance fee mechanism

In private markets, performance fees are designed to remunerate investment managers for their long-term value creation results. They are a profit-sharing incentive for managers that outperform an agreed hurdle over the lifetime of an investment program. Performance fees are typically only charged once investments are realized and a pre-defined return hurdle has been exceeded. Because the value creation period lasts for several years, performance fees typically only start to be earned six to nine years after an investment program commences its investment activities, and only if these are successful.

The chart below shows the performance fee recognition model of a typical limited partnership program. It shows how distribution activities in client portfolios bring forward the maturity profile of an investment program and increase the likelihood that the required return hurdle is reached.

Performance fee recognition model



Note: 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 the program and instruments. For illustrative purposes only.

This illustrative example assumes an initial client commitment of 100. After a couple of years the portfolio generates distributions to the client based on ongoing exit activities. After 6-9 years, there should be so many distributions (cumulated) to the client that the hurdle rate is reached (140). At this point in time, the investment manager catches up on past performance in excess of the initial client commitment ("catch-up" on $140 - 100 = 40 \times 20\%$ performance fees = 8).

2017 at a glance – Partners Group's business model and review of financial performance

Performance fee mechanism (continued)

The investment manager will share any additional distributions stemming from the sale of the remaining portfolio over time, according to a pre-defined performance-sharing mechanism with clients (80% to clients; 20% to the investment manager). It is assumed that the remaining NAV equals 60 and this entitles the investment manager to an additional performance fee of 12 (60 x 20%) should the portfolio be sold at the indicated value of 60.

In summary, due to the investment manager's long-term value creation, the initial client commitment of 100 has grown in value to 200, which entitles the investment manager to a performance fee of 20 (200 - 100 = 100 value gain x 20% performance fees).

EBITDA margin temporarily up; ~60% target EBITDA margin confirmed

In 2017, EBITDA increased by 37% year on year, amounting to CHF 825 million (2016: CHF 601 million). The EBITDA margin increased to 66% (2016: 62%), temporarily above the firm's long-term target EBITDA margin of ~60% for newly generated management fees (assuming stable foreign exchange rates), as well as for performance fees on existing and new AuM.

The temporary margin expansion was mainly due to the strong increase in revenues deriving from management fees, which outpaced the firm's hiring activities during the period. While revenues increased by 28% in 2017, total personnel expenses – the main driver of our expenses – increased by 13%, in line with the growth in the total number of professionals.

Revenues grew more than costs (in CHF m)

	2016		2017
Revenues	973	+28%	1'245
Total costs, of which	-372	+13%	-420
Personnel expenses	-318	+13%	-359
Operating expenses	-55	+10%	-60
EBITDA	601	+37%	825
EBITDA margin	62%	+4%-points	66%

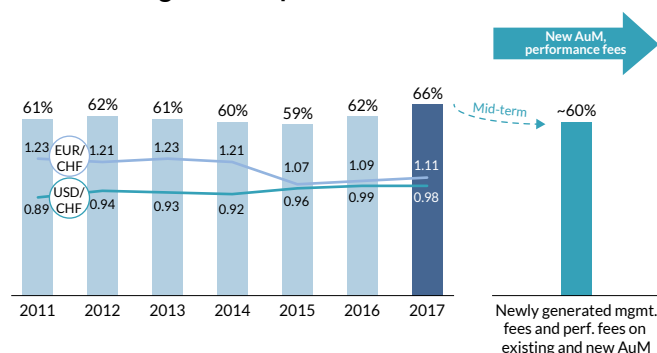
Note: revenues include management fees and performance fees. Management fees include recurring management fees and other revenues, net, other operating income and share of results of associates.

We are further committed to sustainably investing in the build-out of our investment platform and hiring professionals in order to systematically increase our capacity to generate and pursue

attractive investment opportunities in line with the growing allocations of our clients.

The allocation of revenues stemming from performance fees to our professionals through our long-term compensation programs was in line with our target EBITDA margin. We allocated ~40% of performance fees to the team, ~60% remained with the firm and its shareholders.

EBITDA margin development and outlook



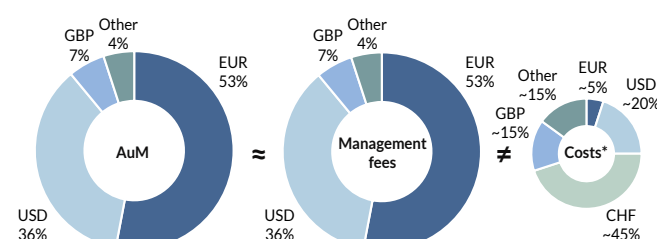
Note: foreign exchange rates in daily averages in respective years.

Continued diversification of AuM, revenues and cost base anticipated

Despite growing our business internationally and consequently diversifying our sources of income, our revenues still primarily derive from EUR- and USD-denominated investment programs and mandates. Fluctuations in these currencies against the CHF can affect the absolute amount of revenues and costs. In 2017, the modest strengthening of the EUR against the CHF positively affected revenues.

Our team has grown at a higher rate outside Switzerland in recent years based on our continuously increasing investment opportunities around the world. This slowly diversifies our cost base further and reduces our cost base in CHF in relative terms over time. As a result, the foreign exchange impact on the EBITDA margin deriving from a CHF-denominated cost base contrasted with EUR/USD-denominated revenues is expected to be reduced even further.

Currency exposure in 2017



*Includes personnel expenses and other operating expenses.

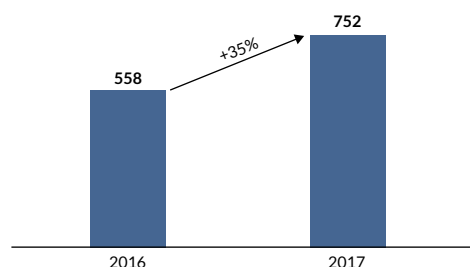
Note: all figures are based on estimates and the currency denomination of underlying programs; revenues include revenues from management services, net, other operating income and share of results of associates.

2017 at a glance – Partners Group's business model and review of financial performance

Value creation in client portfolios drives financial result

We typically invest into our own investment programs alongside our clients (around 1% of the program's size). The positive performance of these investments was the main contributor to the financial result of CHF 36 million in 2017 (2016: CHF 38 million). In summary, the firm's IFRS profit increased by 35% year on year to stand at CHF 752 million (2016: CHF 558 million).

IFRS profit development (in CHF m)



Net liquidity of CHF 1.3 billion; successful bond issuance of CHF 300 million in 2017

Partners Group's balance sheet remains strong. After a dividend payment of CHF 397 million in May 2017, we hold a current net liquidity position of CHF 1.3 billion as of 31 December 2017. The net liquidity position comprises cash & cash equivalents and short-term working capital facilities for investment programs provided by the firm, net of borrowings.

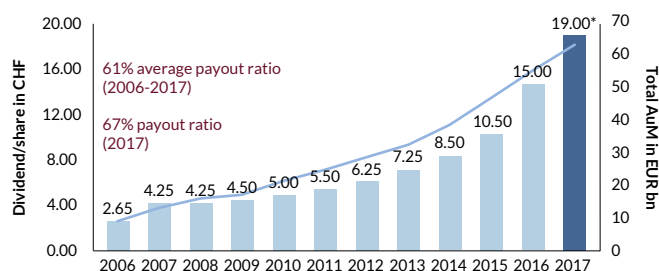
In 2017, we successfully issued Partners Group's first corporate bond, raising CHF 300 million through a fixed-rate senior unsecured CHF-denominated issue. The bond was issued with a seven-year term and a coupon of 0.15% and matures on 7 June 2024. The bond enables us to optimize the management of our liquidity for, in particular, short-term financing needs arising from the provision of treasury management services for clients. These services allow for efficient use of capital within a number of our investment programs by bridging capital drawdowns and distributions where beneficial for clients.

Proposed dividend increase of 27% to CHF 19.00 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 19.00 per share (2017: CHF 15.00 per share) to its shareholders at the Annual General Meeting on 9 May 2018. This represents a dividend increase of 27%.

The total proposed dividend distribution of CHF 507 million corresponds to a 67% payout ratio of the IFRS profit and represents a dividend yield of 2.8% based on the share price of CHF 668 as of 31 December 2017.

Dividend payments since IPO



*As per proposal to be submitted to the 2018 Annual General Meeting of shareholders to be held on 9 May 2018.

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

Financial outlook

We are moving confidently into 2018 and see solid demand for our new programs and mandates from clients across the globe.

- We expect **management fees** to continue to grow alongside AuM. While we are about to launch several new initiatives in 2018 (no flagship offerings), we expect lower late management fees and other income than in the previous year.
- We expect **performance fees** to remain within the expected bandwidth of around 20-30% as a proportion of total revenues, assuming that the market remains favorable to exits.
- We expect **personnel expenses** to increase broadly in line with AuM and management fees as we continue to sustainably invest in the build-out of our investment platform and hiring of dedicated professionals. Performance-related compensation will continue to depend on performance fee development.
- We expect our current **EBITDA margin** to slowly revert to our ~60% target margin in the mid term due to our efforts to build out our investment platform.
- Our **balance sheet** remains solid. With CHF 2.0 billion in shareholders' equity and CHF 1.3 billion net liquidity, we feel well-equipped to realize the potential of private markets in different economic environments.

Market commentary



Investment outlook

Partners Group's mid-term outlook and investment preferences for all private markets asset classes.

Private markets outlook

While maintaining its rather modest pace in historic terms, the global economy picked up some speed in H2 2017, partially supported by improving fundamentals and partially due to cyclical factors. Inflation and wage pressures remain benign across developed markets and have allowed central banks to maintain or just gradually reverse unprecedented loose monetary policies. This smooth sailing has manifested itself in improving earnings growth, which in turn has supported strong equity returns in 2017 (rather than these being supported simply by multiple expansion as in most previous years). Whether this strong earnings growth is sustainable remains to be seen: following flattish developments over the past three years, earnings are growing from a relatively low base and much of the improving top-line growth and the support from the US tax reform are embedded in expectations.

According to our base case macroeconomic projection, continued low but steady growth – most likely at a slightly slower pace going forward – and gently rising inflation set the conditions for further tightening in certain regions (US), although policy is likely to remain accommodative in others (Eurozone, Japan). We continue to believe that markets are lenient about the pace of Fed rate hikes and while we do not project a more material correction of capital markets in the near future, higher rates are likely to temper rich equity valuations.

As the cycle is entering its ninth year, however, the chances of a deviation from our base case are rising. In particular, the combination of Fed balance sheet reduction and the rising US budget deficit in light of tax cuts raise uncertainty about the future path of longer-dated US rates. The following table lays out our base case and three potential test scenarios, showing how these could impact capital markets and valuations. The test scenarios are used to assess the robustness of an asset,

sector or portfolio of assets to different economic and market outcomes.

Economic and market scenarios: main parameters

	Base case	Test scenarios		
	Low but steady growth	Stock market rally	Faster rate hike cycle	Mild recession
GDP growth* (5-year average)	2-3%	2-3%	3-4%	1-2%
Inflation* (5-year average)	~2%	~1%	2-3%	~1%
Change in Fed funds rate (in 5 years' time)	+200-250bps	+50-100bps	+300-500bps	unchanged
Market valuations (in 5 years' time)	10% lower	20% higher	20% lower	10-15% lower

*Capital (NAV)-weighted as per the Partners Group asset split across US, Europe, other advanced and emerging markets.
 Note: market valuations refer to price-to-earnings ratio for public equities, enterprise value to earnings before interest, tax, depreciation and amortization for private equity, capitalization rates for private real estate and underwriting internal rate of return for private infrastructure.
 Source: Partners Group, H1 2018. For illustrative purposes only.

Given the more uncertain outlook, we screen the market for assets that are or can become leaders in their field and operate in more defensive sub-segments of the market, yet experience better growth on the back of both traditional structural change as well as transformative trends. In particular, we focus on sectors benefiting from the global megatrends that we believe will continue to generate attractive investment opportunities in the long term. These include digital transformation, new generation living and consumption, and the energy revolution.

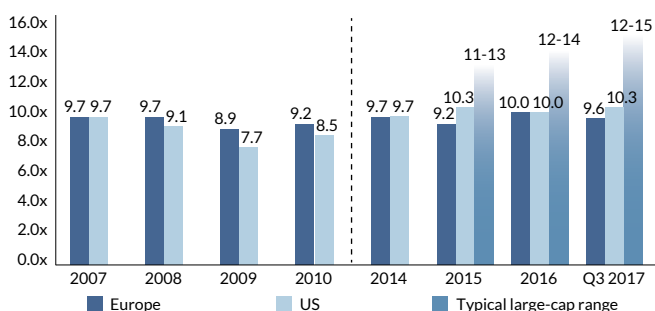
Finally, implementing value-accretive strategies, like enhancing tenant experience in real estate or building scale and promoting organic and inorganic growth in the corporate and infrastructure space, makes these assets more robust and strengthens valuations, even against challenging macroeconomic backdrops.

Market commentary

Private equity

In H2 2017, we continued to see quality assets trade for near-record multiples. We have heard the refrain in the market that '15 is the new 12,' referencing that the hallmark EV/EBITDA exit multiple has moved from 12x to 15x. One factor that has precipitated this pricing shift is the entrance of new participants into the direct private equity investment market. Sovereign wealth funds, GP-like LPs (e.g. institutional LPs with an in-house direct investment practice) and long-dated core private equity funds have all recently emerged in the direct private equity market. The mandate of these new market participants is to identify and buy long-term category winners, for which they are often willing to accept lower expected returns compared to traditional private equity managers.

Average purchase price multiple of pro forma trailing EBITDA for LBOs



Source: Partners Group and S&P Global Leveraged Lending Review, Q3 2017.

In spite of the near-record pricing, we have found a number of instances of compelling value creation potential in the market. We continue to favor specialist category leaders in sectors with strong transformative growth trends and/or proven platforms in actively consolidating sectors. In addition, our approach is

informed by our conviction that outperformance can only be achieved by having a value creation-focused investment process (i.e. focused on unlocking unrealized value), from sourcing through due diligence to ownership.

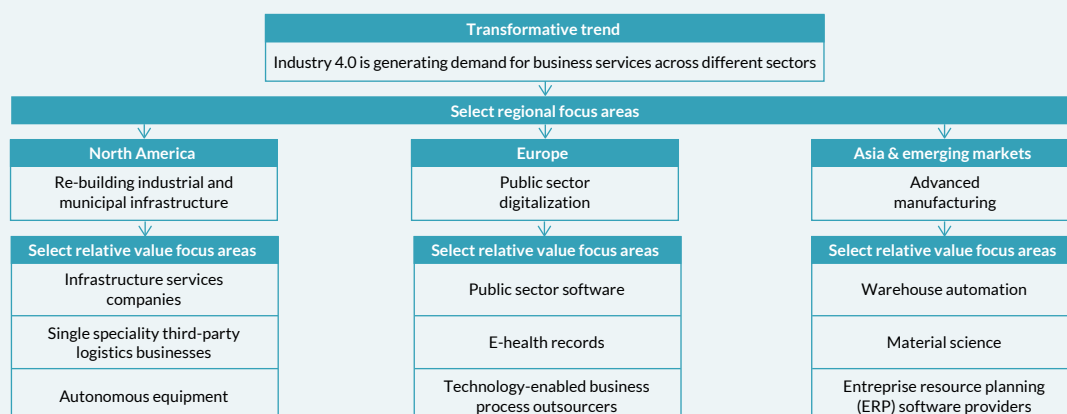
An overview of the transformative growth trends currently generating investment opportunities in each region is presented below.

In North America, we see a transformative trend towards the specialization and digitalization of services offered by companies in the business services, technology, media and telecommunications (TMT), and consumer segments of the market. This movement is happening in parallel to the Industry 4.0 trend we are witnessing in the industrial sector. Companies offering digitally-enabled manufacturing solutions are capturing specialized categories as they supplant companies that relied on labor-intensive manufacturing processes. Similarly, in the business services, TMT, and consumer sectors, we are seeing companies develop into category leaders by pairing their specialized expertise in a process or product with the development of digital solutions to address this process.

In Europe, one transformative trend we have seen is an increased focus on cost optimization. We have witnessed this in both the public and private sector. We believe the catalyst for this enhanced focus on cost optimization has been slow growth in the continent over the past five years paired with muted forward-growth projections. This has created a number of relative value opportunities in segments that target the delivery of cost optimization solutions, in particular companies in the business services outsourcing and software segments.

In emerging markets, we continue to see a compelling transformative trend in the emergence of a large middle class.

Spotlight on a transformative trend: Industry 4.0



Source: Partners Group.

Market commentary

Between 2010 and 2020, more than 1 billion individuals will acquire middle class status, with the vast majority of this growth expected to take place in emerging markets. We anticipate that this new middle class will initially direct its discretionary income towards personal health, education, and select consumer goods, largely mirroring the consumer spending patterns witnessed across developed markets.³ As many emerging markets are still maturing, it is often challenging to find specialized market leaders in these segments. However, those select institutionalized companies that have been able to capture market leadership present compelling investment opportunities.

³ PwC, 2014.

Our key investment strategies

Build out platform companies

We acquire platform companies with a strong management team and infrastructure, and then purchase add-on companies to further grow the platform. This 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.

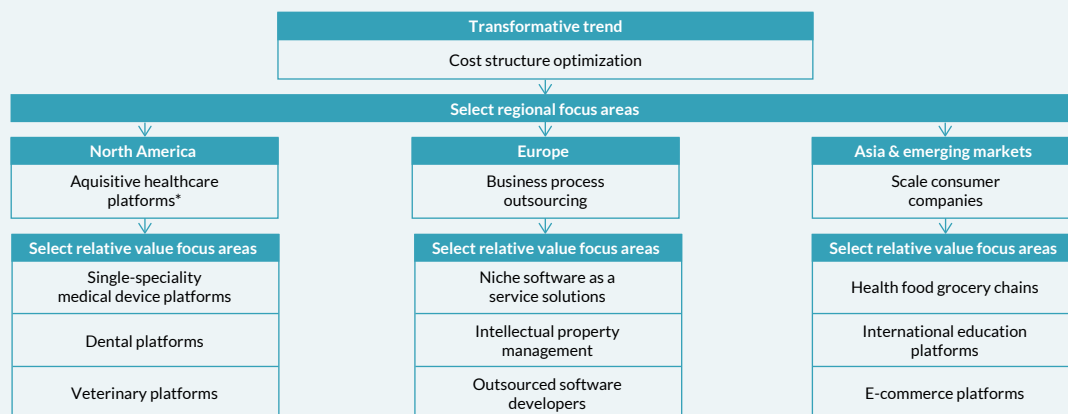
Capture category winners

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

Seek out defensive leaders

We search for 'niche leaders', not only with value creation potential, but also with strong defensive capabilities, high cash flow generation and the ability to quickly de-leverage in an uncertain economic context.

Spotlight on a transformative trend: cost structure optimization



Source: Partners Group.

* Platforms are able to spread selling, general and administrative expenses over a larger base via M&A.

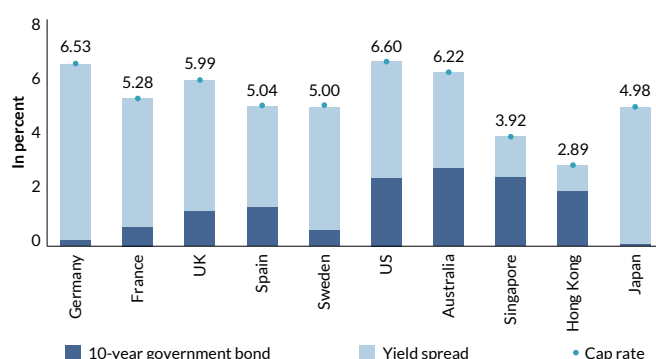
Market commentary

Private real estate

The real estate market continues to exhibit high levels of liquidity. Global real estate transaction volumes have maintained their positive momentum and further increased in H2 2017, mainly driven by activity in Europe and the Asia-Pacific region.

Generally, both the occupier and capital market seem stable, with institutional investors incrementally raising their target allocations to real estate, supported by the spreads between long-term government bond yields and cap rates. This leads us to conclude that the real estate market is currently fully priced but not consistently overpriced.

Office, industrial and retail cap rate spread over risk free rate



Source: Costar; Real Capital Analytics; Bloomberg, October 2017.

In terms of property types, retail cap rates continue to be under pressure due to the growth of e-commerce. We see cap rate expansion for fashion-anchored shopping centers, particularly in the US and UK, for instance. In contrast, we still maintain that the current environment offers a reasonable variety of investment opportunities in the office and residential segments. New office supply is generally under control, with many office market vacancy rates still trending down. Similarly, we see a

supply and demand imbalance across many European cities where new housing demand exceeds supply.

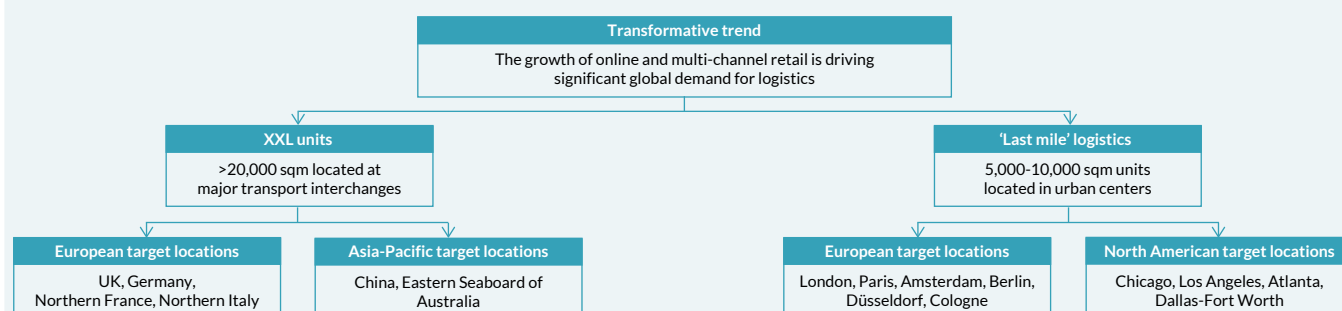
As markets are flush with capital, we feel that competitive processes should be avoided as a means of sourcing opportunities. Instead, we are further emphasizing our focus on special situations, which we define as situations that require bespoke solutions and that offer the potential to unlock hidden value. For these off-market situations, we typically seek the following characteristics:

- a bespoke structure, i.e. opportunities that others are dissuaded from pursuing given their global and complex nature;
- a trigger event, i.e. opportunities that are unlocked by a trigger event such as investor fatigue and/or discord;
- a unique angle, i.e. opportunities that are sourced off-market in an exclusive manner; and
- uplift potential, i.e. opportunities with clear value-added potential to generate outperformance.

In terms of specific investment themes, we focus on assets benefiting from the two main trends that are shaping the real estate market: technological improvements generating demand for logistics space and new urbanization generating demand for modern offices and apartments.

Global demand for **logistics facilities** is being driven by the growth of online and multi-channel retail. Companies around the globe are placing increased emphasis on their supply chain, as well-located and well-specified fulfillment centers and distribution facilities are key to efficient operations. In the US, logistics fundamentals continue to improve, with attractive vacancy rates in the main logistics hubs such as Inland Empire, Chicago, Atlanta and Dallas-Fort Worth – all target locations for our private real estate investment team. Chicago, for instance, has clearly benefited from the growth of e-commerce, especially

Spotlight on a transformative trend: e-commerce



Source: Partners Group.

Market commentary

from the resulting demand for 'last mile' distribution centers close to urban centers. The city's industrial market consists of around 110 million square meters, making it the second largest in the US behind Los Angeles/Inland Empire in California.⁴

In the office space, we are targeting pockets of growth globally. Major cities in Europe, Asia-Pacific and the US are exhibiting economic and population growth, often aligned with growth in the technology industry. The top global cities for venture capital investments include San Francisco and New York in the US, with a global share of around 20%, London and Berlin in Europe, with a global share of around 3%, and Beijing and Shanghai in Asia-Pacific, with a global share of around 3% as well.⁵ These cities are among the most appealing for millennials, as they have adapted to combine life, work and play. Berlin, for instance, has embraced this combination and has, in our opinion, become an attractive market from both a short- and long-term perspective. In the short term, its real estate fundamentals are currently among the most attractive of any European capital city. Vacancy rates are below 2.5%, its development pipeline seems limited and despite strong historic growth, rents are still low for Europe and are forecast to continue to grow at 4% per annum⁶ for the next few years on the back of strong tenant demand.⁷ In the long term, Berlin's population is expected to continue to grow at around 0.5% per annum until 2030.⁸

In the US, we like cities experiencing population and technology growth such as San Diego and Austin. Our focus here lies in acquiring and generating income growth from substantially leased assets. In many markets we see good potential to improve the value of office properties by marking to market existing lease contracts to capture growth that has occurred since leases were signed earlier in the cycle, as well as by applying a lease-up strategy to improve net operating income via occupancy increases.

In the residential segment, our main focus is on developing affordable housing, especially in Europe. In 2016, an estimated 55% of the world's population lived in urban areas. By 2030, this is expected to rise to 60%.⁹ While urbanization is nothing new for major cities across Asia, more and more young people are flocking to growing cities across Europe as well. Major cities like Berlin, Copenhagen and Stockholm are experiencing high regional migration, consisting mainly of millennials in search of affordable and convenient living in 'desirable' cities with high

employment growth. This trend offers a number of attractive opportunities to develop new affordable residential units for rent or sale.

Instead, our focus in Asia-Pacific and the US is on the active management of existing properties where capex investment can drive rental growth. For the US in particular, we overweight multifamily properties in defensive urban markets with solid demand drivers and focus on upgrading Class B houses in markets such as Atlanta, Denver, Nashville and Austin. In these markets, net absorption levels over the past 12 months have increased between 160-380%.¹⁰ Similarly, rental growth rates for apartments in these markets are above the rate of GDP growth.

¹⁰ Costar, October 2017.

Our key investment strategies

We focus on providing solutions to operating or general partners that do not have the appetite, tenure or means to support asset-level business plans for their existing assets or portfolios. We continue to prefer asset strategies that fall into one or more of the following sub-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.

Buy, fix, and sell

We seek older buildings in great locations that are in need of owner-oriented asset management initiatives.

Develop core

We target markets with strong long-term fundamentals and trends that support additional absorption to selectively develop properties through ground-up construction.

⁴ REIS, August 2017.

⁵ Martin Prosperity Institute, January 2016; Partners Group estimates, October 2017.

⁶ Knight Frank and Investment Property Forum, October 2017.

⁷ Angermann, November 2017.

⁸ Schroders and CBRE, October 2017.

⁹ United Nations, 2016.

Market commentary

Private debt

Partners Group views the private debt market in three distinct categories:

- **Liquid loans:** senior loans broadly syndicated by banks, which typically offer relatively low returns but can be used as a cash management tool by fixed income investors because of their high liquidity. As part of our CLO and liquid loans business, we target smaller investments in large liquid loans, where tranches can be in excess of USD 1 billion and issued by stable companies.
- **Direct loans:** loans which are senior in the capital structure but privately originated by a single lender or small group of institutions and are thus generally illiquid. Direct loans remain our primary driver of outperformance. In this segment, we target companies with EBITDAs in excess of USD 20 million.
- **Subordinated loans:** debt tranches which are subordinated in the capital structure, including second lien, mezzanine, and holdco tranches. These investments tend to have very limited liquidity, but offer the highest return potential. In subordinated transactions, where tickets can be in excess of USD 100 million, we leverage our platform and scale to provide subordinated solutions to sponsors.

Private debt markets remain robust, both in terms of investment activity and fundraising levels. Demand for private debt financing remains strong on the back of significant amounts invested by private equity funds and a growing number of private equity transactions that require refinancing. On the supply side, fundraising continues at a strong pace, particularly for senior debt, with a large CLO volume differential in the US and Europe, as well as potentially diverging regulatory trends in the US vis-à-vis the rest of the world.

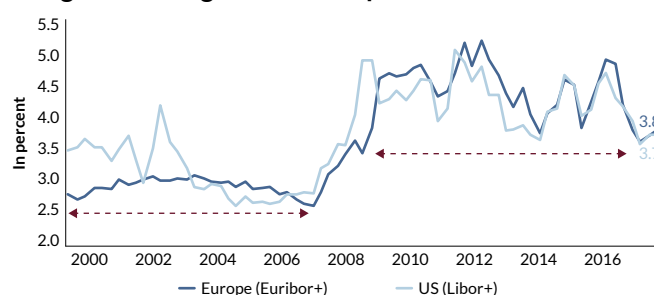
In the US, 2017 was a record year for senior leveraged loan volumes, with issuance surpassing USD 645 billion for the first time.¹¹ A large proportion of newly issued loans has been absorbed by a growing CLO market, which had already exceeded 2016 full-year new issue CLO volumes by the third quarter of 2017.¹²

¹¹ S&P LCD Global Interactive Loan Volume Report, December 2017.

¹² S&P LCD, Q3 2017.

In this record-setting environment, the risk-return profiles of liquid loans have developed sideways. While spreads remain at the lower end of the historic range dating back to 2008, they continue to be comfortably above the lower levels witnessed in pre-crisis years. Furthermore, the increasing base rate has had a positive effect on expected returns for private debt investments.

Weighted average new issue spreads for senior loans



Source: S&P LCD Leveraged Lending Report, Q3 2017.

The risk-return profiles of direct loans have largely followed these developments. Overall, however, given their bespoke nature, private direct loans continue to offer an additional premium over liquid loans and generally better downside protection through tighter documentation, including maintenance covenants that protect buy-and-hold credit investors until repayment.

Bespoke subordinated debt financing solutions continue to be employed in the market, with second lien remaining a prevalent component. Second lien volumes in the first three quarters of 2017 alone reached a level of more than twice full-year 2016 volumes. Return potential remains attractive in the second lien space, where spreads offer more than a 400bps return difference compared to new issue first lien liquid loan spreads.¹³

In Europe, liquid loans have seen a strong new issuance volume. While margins and leverage levels are similar to those witnessed in the US, differences remain in base rates and equity cushions: Euribor rates are still in negative territory and the European market standard 0%-floor continues to be valuable for private debt investors. Equity cushions remained more significant and roughly four percentage points higher than in the US on average (44.4% in Europe versus 40.5% in the US through Q3 2017). Liquidity has also been supported by an increase in new issue CLO volumes; although, unlike the US, third quarter year-to-date volumes remain below 2016 full-year volumes. Furthermore, overall CLO issuance in Europe represents approximately 20% of total CLO issuance in the US.¹⁴

¹³ S&P LCD, Q3 2017.

¹⁴ S&P LCD, Q3 2017.

Market commentary

Direct senior loans and subordinated debt can be very attractive in the current market environment given banks' ongoing lower market share and the overall risk-reward enhancement provided by original issue discounts, base rate floors and the option to participate in equity upside. Club transactions in particular are typically characterized by benign competitive dynamics and in our opinion offer attractive risk-return profiles.

In Asia-Pacific, we had previously identified a number of emerging transactions which cater to non-bank institutional lenders in senior debt, particularly in the term loan B market. In the past half year, we have seen firm demand from private equity sponsors for institutional debt in Australia, in particular 'unitranche' debt structures, which combine elements of both senior and subordinated debt into a single stretched senior debt tranche. The increase in institutional unitranche has been driven by demand from sponsors as it can offer higher leverage to improve positioning in competitive situations, ease of execution and flexibility, and the ability to provide incremental or add-on acquisition debt capital to fund further growth. This provides a competitive and differentiated offering for sponsors as compared to traditional bank offerings, which remain conservative in this space.

Within our key investment strategies in the direct lending space (see box above), we continue to focus on companies with three defining characteristics: recession resilience, stable recurring cash flows and high cash conversion levels. Currently, we are finding such companies within specific sub-sectors of the information technology, healthcare and business and financial services sectors.

Our key investment strategies

We provide financing solutions that fill gaps in traditional debt market coverage and are often more attractive and flexible than those offered by the broader capital or syndicated loan markets, providing excess yields to our investors. We focus on three key strategies:

Offer creative structures

We offer flexible and tailor-made capital structures that support companies' specific cash flow profiles and working capital needs.

Target attractive sub-sectors

We target sub-sectors within industries where we have depth of experience and confidence in underlying growth fundamentals. We actively seek to invest into loan structures in these spaces in resilient companies growing both organically and via acquisitions.

Support buy-and-build strategies

We 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

The search for stable and strong risk-adjusted yield has been a near-constant theme over the past decade. It has brought many new investors into private infrastructure and led existing investors to increase their allocation to the asset class. As we head into 2018, we expect appetite for stable, brownfield infrastructure to remain extremely high.

The unprecedented volume of capital available for private infrastructure is fueling competition for investments and supporting high asset valuations, while also pushing down expected returns. While higher valuations can in part be justified by potential transaction synergies, we believe that in most cases, these are due to lowering return thresholds or more aggressive business assumptions in the underwriting.

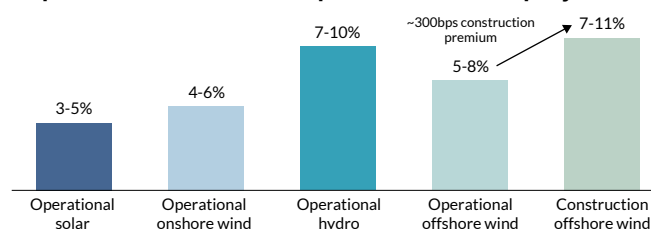
In general, we believe higher levels of assumed risk are not adequately reflected in current return expectations, especially at a time when interest rates in many economies appear to be increasing. Nonetheless, the record amounts of available capital and high prices for operating assets do make for a good exit environment. To benefit from the attractive selling conditions and to capture outsized returns, we have thus increased our focus on portfolio exits.

In terms of deal origination, our efforts over the next year will be guided by two key relative value convictions. Firstly, to create value, we prefer to build core assets or expand platforms over buying ready-built infrastructure. Secondly, we maintain our focus on sectors that are supported by transformative growth trends which drive demand for new and better infrastructure in that particular sector. Currently, we see such trends in the renewable energy, communications infrastructure, and energy infrastructure sectors.

In Europe, we see the best relative value in the communications and renewable energy sectors. In communications, we prefer terrestrial fiber infrastructure, as the segment offers strong inherent upside based on relatively low penetration levels and widespread government support for build-out initiatives. Demand for additional fiber capacity outweighs supply, creating tailwinds for new installations, particularly in rural parts of Europe. However, as the industry matures and the complexity of installing new networks decreases, prices for fiber capacity are declining, putting pressure on future expected revenues for network owners. We focus our efforts on more bespoke situations, such as building core and platform expansion projects across multiple jurisdictions.

In the European renewable energy sector, we focus on offshore wind, which we believe offers the most attractive opportunities based on a number of factors, including available investment sizes and expected returns.

Expected returns for European renewables projects



Note: showing lifetime buyer IRR, assuming stable regulatory regimes.

Source: Partners Group research, December 2017. For illustrative purposes only.

Although significant declines in capex have elevated offshore wind from a niche segment into renewable energy mainstream over the past 18 months, the sector is expected to grow globally at a 19% CAGR from 2017-2025¹⁵ and capital demand for new projects is set to remain high. We see better relative value in late-stage development projects that offer us the opportunity to enter a project without taking development risk. Compared to operational wind farms, projects at this stage offer superior risk/return for investors like Partners Group that have the ability to add significant value in the pre-closing phase, for example by shaping the debt process or the final EPC (engineering, procurement, and construction) negotiations.

In North America, we see compelling relative value in the communications and energy infrastructure sectors. Within communications, we look at terrestrial fiber and data centers. Deal flow for the latter is robust and, similar to Asia-Pacific, opportunities arise from corporate owners disposing of their non-core communications assets.

Within energy infrastructure, our focus remains firmly on the midstream segment. The shale revolution has created a value chain of investment opportunities that ranges from upstream gathering and processing infrastructure, through intermediate transportation and storage assets, to downstream processing, logistics, and export infrastructure. Deal flow is relatively strong in all areas, but we believe the best relative value is currently found away from the wellhead, where there is a growing fundamental need for infrastructure that helps create pathways for the export of natural gas and its derivatives and where contractual underpinning is strong. Recent projections indicate that the US is on the verge of becoming a net exporter of gas for the first time in almost 60 years.

¹⁵ Bloomberg New Energy Finance, October 2017.

Market commentary

Net trade of natural gas



Source: EIA, September 2017.

In the Asia-Pacific region, we continue to focus on renewable power and communications infrastructure in select key markets such as Taiwan, Singapore, Japan and Australia. We have, to-date, developed close to 2GW of solar and wind energy capacity in the region, and relative value in these areas should persist throughout the first half of 2018. However, as competition from low cost-of-capital buyers for operating assets intensifies, we focus predominantly on capturing the premiums available for building core and select platform expansion opportunities.

Within communications, we see the most attractive opportunities in data centers and fiber infrastructure, particularly subsea fiber cables. We have substantial experience in communications infrastructure, having completed seven investments in the sector globally in the last ten years, and will continue to actively monitor the space.

Our key investment strategies

Capitalize on platform expansion opportunities

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.

Proactively build core

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.

Focus on operational value creation

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



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

As the business cycle is entering its ninth year, the chances of a deviation from our base case macroeconomic projection of low but steady growth continue to rise. Given the more uncertain outlook, we are focusing on sectors benefiting from the global megatrends that we believe will continue to generate attractive investment opportunities in the long term.

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Report of the auditors on the consolidated financial statements



Statutory Auditor's Report

To the General Meeting of Partners Group Holding AG, Baar

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Partners Group Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2017 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 40 to 105) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters



Recognition of revenues from management services (net)



Valuation of financial investments

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Report of the auditors on the consolidated financial statements



Recognition of revenues from management services (net)

Key Audit Matter

Revenues from management services, which comprises management fees, commitment fees, organisational fees and performance fees, are the result of investment management services within the Group's operating segments. Payments to third parties for the introduction of clients as well as rebates paid to clients are recognised as revenue deductions.

Revenues from management services (net) is an area of focus due to the size and importance to the Group's results.

The calculations of revenues and revenue deductions are largely automated. There are a number of inherent risks in calculating certain types of revenue and revenue deductions including the interpretation and manual input of key contractual terms, which could lead to errors. The bespoke and complex nature of underlying investment management agreements and other contractual terms involving multiple Group entities requires effective monitoring to ensure all financial terms and conditions are captured completely and accurately and are applied appropriately.

Performance fees are inherently more complex in nature. The assessment of the likelihood of a future clawback on such fees and the determination whether criteria set in the carried interest arrangements are met require management's judgement. The determination of performance fees is based on the underlying valuation of the investment portfolio and requires manual interventions.

Our response

Amongst other procedures, we obtained an understanding of management's processes and controls around the calculation of revenues and revenue deductions by performing walkthrough procedures, testing relevant key controls and evaluating the governance structure. We analysed independent third party controls reports on valuation related processes and controls to determine whether they were appropriate for our purposes.

On a sample basis, we obtained confirmations from the external auditor of the underlying investment programs on the revenues from management services covered in their audit and reconciled these revenues to the Group's general ledger. We also performed inquiries with the external auditor of the underlying investment programs to confirm that the audits on the sampled investment programs were completed.

On a sample basis, we agreed revenue deductions to underlying contracts and performed manual recalculations.

We obtained an understanding of the Group's processes and controls around the calculation of performance fees by evaluating the terms and conditions set out in the underlying partnership agreements and performing walkthrough procedures. On a sample basis, we tested performance fees by:

- Performing analytical procedures based on our understanding of investment realisations and the performance of the investment fund;
- Discussing and evaluating management's assessment of the likelihood of a future clawback of performance fees by challenging and back-testing the key assumptions. We further corroborated whether such fees had been recognised in the appropriate period;
- Reconciling potential performance fee values used in the assessment of a future clawback to the accruals in the financial statement of the underlying investment programs; and
- Evaluating completeness by assessing whether a sample of eligible but unearned performance fees should have been recognised during the 2017 financial year.

For further information on the recognition of revenues from management services (net) refer to notes 2 and 3 to the consolidated financial statements on pages 48 to 53.

Report of the auditors on the consolidated financial statements



Valuation of financial investments

Key Audit Matter

As at 31 December 2017, financial investments on the Group's balance sheet amounted to CHF 451.8 million (2016: CHF 359.2 million). In addition, financial investment presented as assets held for sale amounted to CHF 260.8 million (2016: CHF 187.6 million). These assets represent a significant portion of the Group's total balance sheet.

The financial investment and assets held for sale portfolio comprises a large number of unquoted securities for which no prices are available and which have little or no observable inputs. The Group applies valuation techniques such as the market approach, the income approach or the adjusted net asset value method that are based on international standards.

The fair value assessment requires significant judgement by management, in particular with regard to key input factors such as earnings multiples, liquidity discounts, discount rates or the selection of valuation multiples.

Our response

Our procedures included obtaining an understanding of the Group's processes and key controls around the valuation of and accounting for unquoted investments by performing walkthrough procedures, testing relevant key controls and evaluating the valuation governance structure. We analysed independent third party controls reports on valuation related processes and controls to determine whether they were appropriate for our purposes.

On a sample basis, we obtained confirmations from the external auditor of the underlying investment programs on their net asset values or the valuation of their investments. We also performed inquiries with the external auditor of the underlying investment programs to confirm that the audits on the sampled investment programs were completed. The proportionate holdings of the Group in such financial investments were reconciled to the Group's transaction records that are kept for each investor.

We further assessed if adjustments to the fair values in the financial statements of the underlying investment programs are required.

For further information on the valuation of financial investments refer to notes 2 and 5 to the consolidated financial statements on pages 48 and 62 to 75.

Report of the auditors on the consolidated financial statements



Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company, the compensation report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

Report of the auditors on the consolidated financial statements



- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the 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

Thomas Dorst
Licensed Audit Expert
Auditor in Charge

Philipp Rickert
Licensed Audit Expert

Zurich, 7 March 2018

Consolidated income statement for the years ended 31 December 2017 and 2016

In thousands of Swiss francs	Note	2017	2016
Management fees and other revenues, net		841'879	654'029
Performance fees, net		372'092	294'360
Revenues from management services, net	3.	1'213'971	948'389
Other operating income	5.2.	30'926	24'426
Share of results of associates	6.	10	3
Personnel expenses	4.1.	(359'295)	(317'507)
Other operating expenses	10.	(60'220)	(54'771)
EBITDA		825'392	600'540
Depreciation and amortization	11. & 12.	(13'970)	(11'501)
EBIT		811'422	589'039
Finance income	5.1.	50'401	40'512
Finance expense	5.1.	(14'662)	(2'908)
Profit before tax		847'161	626'643
Income tax expense	9.1.	(94'835)	(68'499)
Profit for the period		752'326	558'144
Profit for the period attributable to owners of the Company		752'326	558'144
Basic earnings per share (in Swiss francs)	15.	28.37	21.15
Diluted earnings per share (in Swiss francs)	15.	28.09	20.92

Consolidated statement of comprehensive income for the years ended 31 December 2017 and 2016

In thousands of Swiss francs	Note	2017	2016
Profit for the period		752'326	558'144
Other comprehensive income:			
Exchange differences on translating foreign operations		38'109	(25'870)
Total other comprehensive income that may be reclassified to the income statement in subsequent periods		38'109	(25'870)
Net actuarial gains/(losses) from defined benefit plans	4.6.	2'849	330
Tax impact on net actuarial gains/losses from defined benefit plans		(412)	(48)
Actuarial gains/(losses) from defined benefit plans, net of tax		2'437	282
Total other comprehensive income not being reclassified to the income statement in subsequent periods, net of tax		2'437	282
Total other comprehensive income for the period, net of tax		40'546	(25'588)
Total comprehensive income for the period, net of tax		792'872	532'556
Total comprehensive income attributable to owners of the Company		792'872	532'556

Consolidated balance sheet

as of 31 December 2017 and 2016

In thousands of Swiss francs	Note	31 December 2017	31 December 2016
Assets			
Cash and cash equivalents		852'334	185'971
Fixed deposits and marketable securities	5.3.3.	10	32'704
Trade and other receivables	5.4.1.	384'812	233'653
Short-term loans	5.3.5.	713'388	708'868
Assets held for sale	5.3.4.	260'830	187'559
Total current assets		2'211'374	1'348'755
Property and equipment	11.	27'972	22'165
Intangible assets	12.	61'487	50'534
Investments in associates	6.	90'134	115'988
Financial investments	5.3.2.	451'813	359'225
Other financial assets	5.3.6.	63'964	5'990
Employee benefits	4.6.	1'227	-
Deferred tax assets	9.2.	24'749	25'769
Total non-current assets		721'346	579'671
Total assets		2'932'720	1'928'426

Consolidated balance sheet

as of 31 December 2017 and 2016

In thousands of Swiss francs	Note	31 December 2017	31 December 2016
Liabilities and equity			
Liabilities			
Trade and other payables ¹⁾	7.	287'600	142'700
Income tax liabilities		57'188	35'187
Provisions	8.	55'909	65'181
Liabilities held for sale	5.3.4.	155'098	87'063
Total current liabilities		555'795	330'131
Employee benefit obligations ¹⁾	4.6.	78'992	39'781
Provisions	8.	37'924	13'294
Deferred tax liabilities	9.2.	2'948	3'657
Long-term debt	13.	299'237	-
Other long-term liabilities		2'050	790
Total non-current liabilities		421'151	57'522
Total liabilities		976'946	387'653
Equity			
Share capital	14.	267	267
Treasury shares		(57'115)	(72'984)
Legal reserves		218	218
Other components of equity		2'012'404	1'613'272
Equity attributable to owners of the Company		1'955'774	1'540'773
Total liabilities and equity		2'932'720	1'928'426

¹⁾ Comparative amounts have been represented. For further information see note 4.6.

Consolidated statement of changes in equity

for the years ended 31 December 2017 and 2016

In thousands of Swiss francs	Equity attributable to owners of the Company						2017
				Other components of equity			
	Share capital	Treasury shares	Legal reserves	Translation reserves	Retained earnings	Total other components of equity	Total
Balance as of 1 January 2017	267	(72'984)	218	(91'957)	1'705'229	1'613'272	1'540'773
Transactions with owners of the Company, recorded directly in equity							
<i>Contributions by and distributions to owners of the Company:</i>							
Purchase of treasury shares		(151'952)					(151'952)
Disposal of treasury shares		167'821			(42'219)	(42'219)	125'602
Share-based payment expenses					32'447	32'447	32'447
Tax effect resulting from equity-settled transactions					13'414	13'414	13'414
Dividends paid to owners of the Company					(397'382)	(397'382)	(397'382)
Total contributions by and distributions to owners of the Company	-	15'869	-	-	(393'740)	(393'740)	(377'871)
Profit for the period					752'326	752'326	752'326
Total other comprehensive income for the period, net of tax	-	-	-	38'109	2'437	40'546	40'546
Total comprehensive income for the period, net of tax	-	-	-	38'109	754'763	792'872	792'872
Balance as of 31 December 2017	267	(57'115)	218	(53'848)	2'066'252	2'012'404	1'955'774

Consolidated statement of changes in equity

for the years ended 31 December 2017 and 2016

In thousands of Swiss francs			Equity attributable to owners of the Company				2016
	Share capital	Treasury shares	Legal reserves	Other components of equity			Total
				Translation reserves	Retained earnings	Total other components of equity	
Balance as of 1 January 2016	267	(133'802)	218	(66'087)	1'423'412	1'357'325	1'224'008
Transactions with owners of the Company, recorded directly in equity							
<i>Contributions by and distributions to owners of the Company:</i>							
Purchase of treasury shares		(165'872)					(165'872)
Disposal of treasury shares		226'690			(44'241)	(44'241)	182'449
Share-based payment expenses					24'335	24'335	24'335
Tax effect resulting from equity-settled transactions					20'471	20'471	20'471
Dividends paid to owners of the Company					(277'174)	(277'174)	(277'174)
Total contributions by and distributions to owners of the Company	-	60'818	-	-	(276'609)	(276'609)	(215'791)
Profit for the period					558'144	558'144	558'144
Total other comprehensive income for the period, net of tax	-	-	-	(25'870)	282	(25'588)	(25'588)
Total comprehensive income for the period, net of tax	-	-	-	(25'870)	558'426	532'556	532'556
Balance as of 31 December 2016	267	(72'984)	218	(91'957)	1'705'229	1'613'272	1'540'773

Consolidated statement of cash flows

for the years ended 31 December 2017 and 2016

In thousands of Swiss francs	Note	2017	2016
Operating activities			
Profit for the period		752'326	558'144
<i>Adjustments:</i>			
Share of results of associates (LGT)	6.	(10)	(3)
Net finance (income) and expense	5.1.	(35'739)	(37'604)
Income tax expense	9.1.	94'835	68'499
Depreciation and amortization	11. & 12.	13'970	11'501
Share-based payment expenses	4.2.	32'447	24'335
Change in provisions	8.	16'960	54'455
Change in employee benefit assets/liabilities ¹⁾		40'211	38'379
Non-cash change in other financial assets		(56'320)	-
Other non-cash items		(13)	(7)
Operating cash flow before changes in working capital		858'667	717'699
(Increase)/decrease in trade and other receivables and short-term loans		(157'263)	(266'446)
Increase/(decrease) in trade and other payables		144'029	26'280
Financial expenses (other than interest) paid		(2'609)	(1'032)
Cash generated from/(used in) operating activities		842'824	476'501
Income tax paid		(61'671)	(57'698)
Net cash from/(used in) operating activities		781'153	418'803
Investing activities			
Purchase of fixed deposits and marketable securities		-	(31'372)
Proceeds on disposal of fixed deposits and marketable securities		32'524	-
Purchase of property and equipment	11.	(10'350)	(10'857)
Purchase of intangible assets	12.	(20'728)	(13'737)
Purchase of financial investments ²⁾		(168'159)	(140'675)
Proceeds on disposal of financial investments ³⁾		132'477	146'835
Proceeds on disposal of investments in associates	6.	42'856	13'588
Purchase of other financial assets		(622)	(3'575)
Proceeds on disposal of other financial assets		-	1'264
Interest and dividends received	5.1.	391	191
Net cash from/(used in) investing activities		8'389	(38'338)

¹⁾ Comparative amounts have been represented. For further information see note 4.6.

²⁾ Purchases of assets and liabilities held for sale are included in this line item.

³⁾ Proceeds on disposal of assets and liabilities held for sale are included in this line item.

Consolidated statement of cash flows

for the years ended 31 December 2017 and 2016

In thousands of Swiss francs	Note	2017	2016
Financing activities			
Repayments of borrowings ¹⁾		(160'000)	(728'000)
Proceeds from borrowings ¹⁾		160'000	633'000
Issuance of long-term debts	13.	299'176	-
Interest paid		(1'542)	(962)
Dividends paid to shareholders of the Company	14.	(397'382)	(277'174)
Purchase of treasury shares		(151'952)	(165'872)
Disposal of treasury shares		125'602	182'449
Net cash from/(used in) financing activities		(126'098)	(356'559)
Net increase/(decrease) in cash and cash equivalents		663'444	23'906
Cash and cash equivalents as of 1 January		185'971	163'776
Exchange differences on cash and cash equivalents		2'919	(1'711)
Cash and cash equivalents as of 31 December		852'334	185'971

¹⁾ The line items have been disaggregated to make the information and disclosure more understandable. Comparative amounts have been represented.

In thousands of Swiss francs	31 December 2017	31 December 2016
Bank balances	852'322	185'941
Petty cash	12	30
Total cash and cash equivalents	852'334	185'971

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

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 2017 and 2016 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 7 March 2018 and are subject to approval at the Annual General Meeting of shareholders on 9 May 2018.

The principal activities of the Group are described in note 3.

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. 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 19.3.). 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 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 holds 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. The Group took all facts and circumstances into consideration and concluded that it acts as an agent for all investment programs that it manages, except for seed capital financed investment programs (see note 19.15.). For detailed information on the investment programs and their carrying amounts please refer to note 5.3.2.

(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 quoted 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 5.5.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

(c) Revenue recognition

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. A “claw-back” ensures that investors in an investment program are returned any performance fees paid in excess of the originally agreed percentage during the life of the investment program. It protects investors from paying performance fees on one investment, and then having a subsequent investment incur losses resulting in overall performance fees paid in excess of the originally agreed terms. 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.

3. 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 following operating segments based on these reports:

- 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 investment programs. 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. On behalf of its clients, the Group focuses on investing directly into companies with the objective of driving forward strategic initiatives and operational improvements. In addition, the Group also invests into the private equity secondary market by acquiring portfolios of privately held companies and in the primary market by maintaining a comprehensive set of investment relationships. The Group invests across sectors and regions based on a relative value investment approach.

Private debt

Private debt refers to debt financing for private – i.e. not publicly traded – companies. On behalf of its clients, the Group focuses on providing tailored financing solutions for businesses seeking non-bank funding due to their limitations in entering capital markets. The Group provides debt capital across the whole debt structure, ranging from senior loans to mezzanine financing solutions, as well as across sectors and regions based on a relative value investment approach.

Private real estate

Private real estate refers to investments made in private – i.e. not publicly traded – real estate assets. On behalf of its clients, the Group focuses on investing in real estate with value creation opportunities. The Group invests across the capital structure in either equity or debt instruments, as well as across sectors and regions based on a relative value investment approach.

Private infrastructure

Private infrastructure refers to investments made in private – i.e. not publicly traded – infrastructure assets. On behalf of its clients, the Group focuses on investing in essential infrastructure with development potential through active ownership. The Group invests across the capital structure in either equity or debt instruments, as well as across sectors and regions based on a relative value investment approach.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

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

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 that 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 disclosed no inter-segment transactions, as there were none; consequently, no eliminations are necessary.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

In thousands of Swiss francs	Operating segments				2017	
	Private equity	Private debt	Private real estate	Private infrastructure	Unallocated	Total
Management fees and other revenues	605'411	101'139	137'862	133'499	957	978'868
Performance fees	296'105	7'207	9'003	71'487	-	383'802
Revenue deductions	(89'811)	(10'869)	(27'725)	(20'294)	-	(148'699)
Revenues from management services, net	811'705	97'477	119'140	184'692	957	1'213'971
Other operating income	7'218	6'597	7'418	6'484	3'209	30'926
Share of results of associates	10	-	-	-	-	10
Total	818'933	104'074	126'558	191'176	4'166	1'244'907
Personnel expenses	(78'419)	(20'248)	(25'243)	(24'793)	(210'592)	(359'295)
Other operating expenses	(3'045)	(1'176)	(1'434)	(917)	(53'648)	(60'220)
Gross segment result before depreciation and amortization	737'469	82'650	99'881	165'466	(260'074)	825'392
Depreciation and amortization	-	-	-	-	(13'970)	(13'970)
Gross segment result	737'469	82'650	99'881	165'466	(274'044)	811'422
<i>Reconciliation to profit for the period:</i>						
Net finance income and expense						35'739
Income tax expense						(94'835)
Profit for the period						752'326

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

In thousands of Swiss francs	Operating segments				2016	
	Private equity	Private debt	Private real estate	Private infrastructure	Unallocated	Total
Management fees and other revenues	490'846	79'949	105'044	80'837	644	757'320
Performance fees	286'335	6'233	7'580	8'049	-	308'197
Revenue deductions	(76'440)	(12'554)	(16'957)	(11'177)	-	(117'128)
Revenues from management services, net	700'741	73'628	95'667	77'709	644	948'389
Other operating income	10'183	3'194	8'587	2'064	398	24'426
Share of results of associates	3	-	-	-	-	3
Total	710'927	76'822	104'254	79'773	1'042	972'818
Personnel expenses	(63'531)	(14'203)	(22'435)	(21'505)	(195'833)	(317'507)
Other operating expenses	(3'529)	(835)	(820)	(806)	(48'781)	(54'771)
Gross segment result before depreciation and amortization	643'867	61'784	80'999	57'462	(243'572)	600'540
Depreciation and amortization	-	-	-	-	(11'501)	(11'501)
Gross segment result	643'867	61'784	80'999	57'462	(255'073)	589'039
<i>Reconciliation to profit for the period:</i>						
Net finance income and expense						37'604
Income tax expense						(68'499)
Profit for the period						558'144

As the Group pursues a fully integrated investment approach, many 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 respective operating segments, leading to the majority of personnel expenses being unallocated to any of the operating segments. The same applies to other operating expenses. Depreciation and amortization have not been allocated to the operating segments.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

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	Revenues from management services, net	
	2017	2016
Switzerland	514'133	405'122
Guernsey	319'005	236'710
North America	166'106	131'953
Other European countries	98'697	85'522
Rest of world	116'030	89'082
Total revenues from management services, net	1'213'971	948'389

In 2017 and 2016, no direct counterparty of the Group contributed more than 10% to the Group's revenues from management services, net.

4. Remuneration

4.1. Personnel expenses

In thousands of Swiss francs	Note	2017	2016
Wages and salaries		(214'358)	(188'325)
Share-based payment expenses	4.2.	(31'622)	(23'934)
Other long-term benefits (management carry program)	4.4.	(74'280)	(65'286)
Retirement schemes - defined contribution plans		(10'732)	(9'190)
Retirement schemes - defined benefit plans	4.6.	(1'664)	(2'969)
Other social security expenses		(14'218)	(19'428)
Sundry personnel expenses		(12'421)	(8'375)
Total personnel expenses		(359'295)	(317'507)

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

4.2. Share-based payment expenses

The Group recognized the following expenses for grants in 2017, as well as in previous periods:

In thousands of Swiss francs	Note	2017	2016
Grants 2011 (options and non-vested shares)		-	(160)
Grants 2012 (options and non-vested shares)		(57)	(710)
Grants 2013 (options and non-vested shares)		(749)	(1'852)
Grants 2014 (options and non-vested shares)		(1'786)	(3'782)
Grants 2015 (options and non-vested shares)		(3'747)	(6'962)
Grants 2016 (options and non-vested shares)		(8'469)	(9'403)
Grants 2017 (options and non-vested shares)	4.3.	(10'739)	-
Total options and non-vested shares		(25'547)	(22'869)
Grants 2017 (MPP)	4.3.	(4'808)	-
Share grants at start of employment	4.5.	(1'267)	(1'065)
Total share-based payment expenses¹⁾		(31'622)	(23'934)

¹⁾ Share-based payment expenses for non-executive members of the BoD of CHF 0.8 million (2016: 0.4 million) are presented as consulting expenses (see note 10.).

The average number of employees in 2017 was 979 (2016: 882), which is equivalent to an average of 970 full-time employees (2016: 864).

4.3. Options, non-vested shares and MPP

The Group has a long-term history of granting equity incentives to its employees. These are awarded at year-end through options, shares and the Management Performance Plan ("MPP").

Options and non-vested shares

The Employee Participation Plan ("EPP") aims to align employee interests with those of external shareholders. The 2017 plan was a shares-only plan for the Group's employees and its budget allocation for departments, teams and individuals depends on their performance and contribution to the overall achievement of the firm's goals during the period.

Since 2012, EPPs follow 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.

In 2015, the Group implemented a management incentive plan ("MIP"). 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 2017 and 2016

Number and weighted average exercise price

The number and weighted average exercise price 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
	2017	2017	2016	2016
Outstanding as of 1 January	371.27	1'194'619	204.26	1'130'755
Forfeited during the period	90.30	(20'302)	125.21	(43'896)
Exercised during the period	136.16	(214'670)	131.40	(332'495)
Granted during the period - options	805.50	353'678	679.66	385'110
Granted during the period - shares	-	47'483	-	55'145
Outstanding as of 31 December	512.45	1'360'808	371.27	1'194'619
Exercisable as of 31 December		254'567		331'201

Of the outstanding 1'360'808 options and non-vested shares (31 December 2016: 1'194'619), 254'567 options are exercisable immediately (31 December 2016: 331'201). All other options and non-vested shares are subject to a restriction period of at least until 29 November 2018.

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

Numbers of instruments outstanding			
Grant year	Strike price in CHF	31 December 2017	31 December 2016
Options granted in 2007	159.00	-	5'550
Options granted in 2008	100.00	8'700	13'196
Options granted in 2009	150.00	18'037	32'411
Options granted in 2010 and 1.1.2011	209.00	33'857	58'484
Options granted in 2011	195.00	27'218	68'635
Options granted in 2012	236.00	86'997	114'181
Options granted in 2013 and 8.1.2014	270.00	111'139	140'533
Options granted in 2014	324.00	8'344	8'344
Options granted in 2015	340.00	1'418	1'418
Options granted in 2015	450.00	174'000	174'000
Options granted in 2015	446.00	6'127	6'127
Options granted in 2016	682.00	375'000	375'000
Options granted in 2016	593.00	10'110	10'110
Options granted in 2017	805.00	318'600	-
Options granted in 2017	810.00	35'078	-
Non-vested shares granted from 2012 to 2017	-	146'183	186'630
Total instruments outstanding		1'360'808	1'194'619

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

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.

Fair value of share options and shares granted in 2017, and related assumptions:

	Non-vested options ¹⁾	Non-vested options	Non-vested options ²⁾	Vested options	Non-vested shares	Non-vested shares
Date of grant	27.9.17	27.9.17	27.9.17	30.11.17	30.11.17	30.11.17
Fair value per option/non-vested share at measurement date (in CHF)	16.79	16.79		23.52	676.00	676.00
Share price (in CHF)	644.00	644.00		676.00	676.00	676.00
Exercise price (in CHF)	805.00	805.00		810.00		
Vesting conditions	6 years	5 years	6 years	none	3 years ³⁾	5 years ³⁾
Expected volatility	17.97%	17.97%		18.64%		
Expected term of execution	5 years	5 years	6 years	5 years		
Expected dividend ratio	4.15%	4.15%		4.14%		
Risk-free interest rate (based on Swap rates)	(0.48%)	(0.48%)		(0.51%)		
Total options/shares granted	165'600	153'000		35'078	17'135	30'348
Total value granted in 2017 (in thousands of CHF)	2'780	2'569	2'531	825	11'583	20'515
Gross amount recognized in profit or loss (in thousands of CHF)	397	428	361	825	4'115	5'852
Forfeitures during 2017 (in thousands of CHF)					(17)	
Net amount recognized in profit or loss (in thousands of CHF)	397	428	361	825	4'098	5'852
Total amount recognized in profit or loss (in thousands of CHF)						11'961
- recognized in personnel expenses in current year (in thousands of CHF)						10'739
- recognized in consulting expenses in current year (in thousands of CHF)						825
- recognized in personnel expenses allocated to the year 2016 (in thousands of CHF)						397

¹⁾ Under the 28 September 2016 option plan, the Group granted equity incentives equaling the fair value of CHF 5.4m. The amount is allocated to the participants in two tranches, the first half in September 2016 and the second half in September 2017. 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.

²⁾ Under the 27 September 2017 option plan, the Group granted equity incentives equaling the fair value of CHF 5.1m. The amount is allocated to the participants in two tranches, the first half in September 2017 and the second half in September 2018. 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.

³⁾ 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.

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Management Performance Plan

In 2017, Partners Group revised its dedicated performance fee-related compensation program and introduced the MPP for Executive Committee members and non-independent Board members. The MPP ensures an alignment of interests with shareholders and clients. It is dependent on the share price development over a five-year horizon. It measures the absolute performance of the share price of the Company but also puts equal weight on the outperformance against an industry benchmark (S&P Listed Private Equity Index). Five years after the grant date, MPP rights will be measured based on absolute performance of the share price and its outperformance over the benchmark index. Once the value of the MPP rights is determined, its payout is dependent on the achievement of a performance fee target, which ultimately derives from active value generation, and the realization of investment opportunities in underlying client portfolios. Depending on the investment outcomes and timing of the investment realizations, it often takes up to 14 years until the full payout of performance fees is received. Any payout will be in a number of restricted shares in the value of the respective payout.

Vesting parameters

The MPP grants vest linearly over a period of five years. The linear vesting is subject to a minimum five-year tenure in the respective committee. Before that, it has a five-year cliff vesting attached. Any holder of unvested MPP rights leaving the Group has the obligation to render his or her unvested interest back to the Company.

Valuation

In accordance with the option-like characteristics of the MPP, the grant date fair value is calculated in a similar way to the valuation of a combination of call options (based on the Black-Scholes model) and exchange options (total return on PGHN and the S&P Listed Private Equity Index based on Margrabe's formula).

Fair value of MPP granted in 2017, and related assumptions:

	Absolute basis	Relative basis
Date of grant	30.11.17	30.11.17
Share price (in CHF)	676.00	676.00
Exercise price/normalized index price (in CHF)	676.00	676.00
Correlation	n/a	0.57
Vesting conditions	5 years ¹⁾	5 years ¹⁾
Expected volatility	18.64%	18.64%
Expected volatility index	n/a	18.51%
Expected term of execution	5 years	5 years
Expected dividend ratio	4.14%	0.00%
Expected dividend ratio index	n/a	0.00%
Risk-free interest rate (based on Swap rates)	(0.51%)	n/a
Total fair value granted in 2017 (in thousands of CHF)	8'291	8'291
Amount recognized in profit or loss (in thousands of CHF)	2'404	2'404
Total amount recognized in profit or loss (in thousands of CHF)		4'808

¹⁾ Linear vesting model, with proportionate annual vesting every year.

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4.4. Management Carry Plan

In 2010, the Group introduced a Management Carry Plan ("MCP"), whereby a portion of potential future performance fees from investments made during a relevant investment period are pre-allocated on a discretionary basis to the broader management teams. The Nomination & Compensation Committee ("NCC") and the BoD plan an allocation of up to 40% of performance fees to employees. Until 2013, the MCP grants included a cliff-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, subject to a minimum five-year employment period.

The MCP benefits will typically be paid in cash to the eligible employees after the vesting period and when the potential future performance fees are received by the Group. Actual costs and payments based on the MCP grants depend on the eventual performance attributable to investments made and cannot reliably be estimated at the point of grant because they depend on numerous variables and future events. 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 performance fees are recognized. When MCP-related performance fees are recognized, the Group recognizes the resulting MCP costs as personnel expenses. Until the cash amount is paid to eligible employees, the liabilities are recognized as provisions (see note 8.1.).

4.5. Entry shares

In 2017, the Group further granted 2'290 (2016: 2'779) 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.

4.6. Employee benefits

In thousands of Swiss francs	2017	2016
Performance-related compensation	(78'992)	(37'567)
Defined benefit plan	1'227	(2'214)
Total net employee benefits	(77'765)	(39'781)

Performance-related compensation

The NCC and the BoD plan an allocation of up to 40% of recognized performance fees to employees ("Performance Fee Compensation Pool"). A portion of the Performance Fee Compensation Pool has typically been pre-allocated via the MCP to employees when the underlying investments were made or developed ("MCP Pool"). MCP Pool-related costs result in a liability, which is recognized as a provision in the consolidated balance sheet (see notes 4.4. and 8.1.).

The difference between the Performance Fee Compensation Pool and the MCP Pool is allocated to a "Performance Fee Bonus Pool" which is distributed among individuals across teams and departments based on their contribution to performance. The part of the Performance Fee Compensation Pool that is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services represents a constructive obligation towards a group of employees.

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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 withdraw the entire balance of their individual retirement savings accounts 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"). In addition, a 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.

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 the investment strategy of the pension fund and does not expect a negative impact on funding arrangements or future contributions due to the pension fund's 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.

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 above.

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Development of defined benefit asset/(obligation)

In thousands of Swiss francs	2017	2016
Present value of benefit obligation as of 1 January	(56'576)	(51'508)
<i>Included in profit or loss:</i>		
Current service cost (employer)	(2'803)	(2'866)
Interest expense on benefit obligation	(347)	(370)
<i>Included in other comprehensive income:</i>		
Actuarial gains/(losses) on benefit obligation arising from:		
- change in demographic assumptions	-	3'299
- change in financial assumptions	996	(276)
- experience gains/(losses)	(1'732)	(2'286)
<i>Other:</i>		
Employee contributions	(2'259)	(2'152)
Benefits paid	(150)	(417)
Plan amendment	1'249	-
Present value of benefit obligation as of 31 December	(61'622)	(56'576)
Fair value of plan assets as of 1 January	54'362	49'781
<i>Included in profit or loss:</i>		
Interest income on plan assets	340	365
Administration cost	(106)	(98)
<i>Included in other comprehensive income:</i>		
Return on plan assets (excl. interest income)	3'585	(407)
<i>Other:</i>		
Employer contributions	2'259	2'152
Employee contributions	2'259	2'152
Benefits paid	150	417
Fair value of plan assets as of 31 December	62'849	54'362
Net defined benefit asset/(obligation) as of 31 December	1'227	(2'214)

The weighted average duration of the net defined benefit obligation is 15.5 years as of 31 December 2017 (2016: 16.0 years).

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

Asset allocation as of 31 December

	2017	2016
Cash	9.3%	18.4%
Public debt	13.8%	10.7%
Public equity	24.6%	20.7%
Private markets	29.3%	23.7%
Alternatives/other	23.0%	26.5%
Total	100.0%	100.0%

Principal actuarial assumptions

The calculation of the net defined benefit asset/(obligation) included the following principal actuarial assumption:

Principal actuarial assumptions as of 31 December	2017	2016
Discount rate	0.70%	0.60%
Expected net return on plan assets	0.70%	0.60%
Interest rate on retirement credits	1.00%	1.00%
Average future salary increases	1.50%	1.50%
Future pension increases	0.00%	0.00%
Mortality tables used	BVG 2015 (GT)	BVG 2015 (GT)

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 net defined benefit asset/(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%)	(5'306)	(440)
Increase of discount rate (+0.5%)	4'549	373
Decrease of salary increase (-0.5%)	751	84
Increase of salary increase (+0.5%)	(799)	(90)

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

The expected employer contributions in 2018 are estimated at CHF 2.3 million.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

5. Investments held by the Group, finance income and expense and financial risk management

5.1. Finance income and expense

In thousands of Swiss francs	Note	2017	2016
Interest income		391	191
Net gains on:			
Fair value through profit or loss instruments, designated	5.5	42'670	38'165
Share of results of associates (Pearl)	6.	7'340	1'962
Other finance income		-	194
Total finance income		50'401	40'512
Interest expense		(1'842)	(962)
Net losses on:			
Held for trading instruments		(71)	(55)
Other finance expense		(3'184)	(1'300)
Net exchange differences		(9'565)	(591)
Total finance expense		(14'662)	(2'908)
Total net finance income and (expense)		35'739	37'604

5.2. Other operating income

In thousands of Swiss francs	2017	2016
Interest income on short-term loans	27'501	23'210
True-up interest income	3'425	1'216
Total other operating income	30'926	24'426

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

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

5.3. Financial instruments

5.3.1. Financial instruments by category

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

In thousands of Swiss francs	Note	31 December 2017	31 December 2016
Financial assets			
Cash and cash equivalents			
Cash and cash equivalents		852'334	185'971
		852'334	185'971
Financial assets at fair value through profit or loss			
<i>Designated upon initial recognition:</i>			
Financial investments	5.3.2.	451'813	359'225
Assets held for sale	5.3.4.	260'830	187'559
		712'643	546'784
<i>Held for trading:</i>			
Fixed deposits and marketable securities	5.3.3.	10	1'679
Derivative assets held for risk management ¹⁾	5.4.1.	3'329	5'172
		3'339	6'851
Loans and receivables			
Trade receivables ¹⁾	5.4.1.	216'437	160'157
Other receivables ¹⁾	5.4.1.	10'053	25'507
Cash collateral ¹⁾	5.4.1.	79'750	-
Fixed deposits and marketable securities	5.3.3.	-	31'025
Short-term loans	5.3.5.	713'388	708'868
Other financial assets	5.3.6.	63'964	5'990
		1'083'592	931'547
Total financial assets		2'651'908	1'671'153

¹⁾ Presented in the line item trade and other receivables in the consolidated balance sheet.

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

In thousands of Swiss francs	Note	31 December 2017	31 December 2016
Financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivative liabilities held for risk management ¹⁾	7.	5'897	1'264
Liabilities held for sale	5.3.4.	155'098	87'063
Other long-term liabilities		1'019	790
		162'014	89'117
Financial liabilities measured at amortized cost			
Trade payables ¹⁾	7.	108'240	33'960
Cash collateral ¹⁾	7.	66'500	-
Long-term debt	13.	299'237	-
Other long-term liabilities		1'031	-
		475'008	33'960
Total financial liabilities		637'022	123'077

¹⁾ Presented in the line item trade and other payables in the consolidated balance sheet.

5.3.2. Financial 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 presented as revenues from management services, net in the consolidated income statement.

In thousands of Swiss francs	31 December 2017	31 December 2016
Balance as of 1 January	359'225	338'162
Additions	125'108	59'447
Distributions/disposals	(93'415)	(79'644)
Transfers from marketable securities and assets and liabilities held for sale	6'919	13'300
Change in fair value of investments held at period end	37'560	30'572
Exchange differences	16'416	(2'612)
Balance as of end of period	451'813	359'225

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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 2017	31 December 2016
Private equity	214'117	193'170
Private debt	146'496	85'829
Private real estate	51'208	47'193
Private infrastructure	39'992	33'033
Total financial investments	451'813	359'225

5.3.3. Fixed deposits and marketable securities

In thousands of Swiss francs	31 December 2017	31 December 2016
Equity securities held for trading	10	10
Debt securities held for trading	-	1'669
Fixed deposits with maturities between 3 and 12 months	-	31'025
Total fixed deposits and marketable securities	10	32'704

5.3.4. Assets and liabilities held for sale

The Group seed finances certain early stage investment programs managed by the Group. The decision to seed finance an investment program is taken by responsible bodies defined in the Group's Rules of the Organization and of Operations ("ROO"). These investment programs typically call the seed finance to invest in assets that are comparable to the Group's investments in investment programs that it manages (see note 5.3.2.). Therefore, the underlying assets of these investment programs are typically financial assets valued at the adjusted net asset values.

Assets and liabilities of five (2016: five) investment programs are classified and presented as assets and liabilities held for sale. The assets and liabilities held for sale as of 31 December 2017 comprise private equity, private real estate as well as private debt related assets and liabilities:

In thousands of Swiss francs	31 December 2017	31 December 2016
Assets held for sale	260'830	187'559
Liabilities held for sale	(155'098)	(87'063)
Assets and liabilities held for sale, net	105'732	100'496

5.3.5. Short-term loans

Short-term loans of CHF 713.4 million (2016: CHF 708.9 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.

5.3.6. Other financial assets

The increase in other financial assets to CHF 64.0 million (2016: CHF 6.0m) mainly resulted from recognized performance fees which are not expected to be settled within twelve months.

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5.3.7. Capital commitments

As of 31 December 2017, the Group had capital commitment contracts of CHF 595.2 million (2016: CHF 483.8 million), whereof CHF 215.0 million (2016: CHF 171.7 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. 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.

5.4. Financial risk management

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

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

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.

5.4.1. Credit risk

The following sections present the Group's exposure to credit risk and how it is managed by the Group. 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

In thousands of Swiss francs	31 December 2017	31 December 2016
Trade receivables	216'437	160'157
Other receivables	10'053	25'507
Cash collateral	79'750	-
Prepayments/accrued revenues	75'243	42'817
Derivative assets held for risk management	3'329	5'172
Total trade and other receivables	384'812	233'653

The increase in trade and other receivables mainly resulted from recognized but not yet received performance fees and the increase of cash collateral.

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The Group's exposure to credit risk is primarily influenced by the individual characteristics of each customer and is reviewed on a regular basis. 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 customers are investment programs that are managed by the Group.

Other counterparties of the Group 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. Therefore, no material allowance for individual exposures or a collective loss allowance is currently established (31 December 2016: none). As of the reporting date, no material receivables were overdue (31 December 2016: none).

(b) Short-term loans

In order to control the credit risk resulting from short-term loans (see note 5.3.5.) 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 the high quality of the Group's loan portfolio.

(c) Other

The Group's other credit risks arise from cash and cash equivalents and derivative assets. The surplus cash is typically transferred to the Company for cash pooling (see note 5.4.3.). For bank deposits only independently rated parties, typically with a minimum rating of "A-3" or equivalent, are accepted (as per Standard and Poor's short-term issue credit ratings definitions).

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

In thousands of Swiss francs	Carrying amount	
	31 December 2017	31 December 2016
Cash and cash equivalents	852'322	185'941
Fixed deposits and marketable securities	-	32'694
Trade receivables ¹⁾	216'437	160'157
Other receivables ¹⁾	935	13'334
Prepayments / accrued revenues ¹⁾	37'768	-
Cash collateral ¹⁾	79'750	-
Derivative assets held for risk management ¹⁾	3'329	5'172
Short-term loans	713'388	708'868
Other financial assets	63'964	5'990
	1'967'893	1'112'156

¹⁾ Presented in the line item trade and other receivables in the consolidated balance sheet.

5.4.2. 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, issued by the BoD.

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(a) Currency risk

The Group is mainly 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 the 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. As a consequence, the Group's net balance sheet currency risk is limited mainly to its intercompany receivables and liabilities.

(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 5.3.5.) as well as other financial assets. Such cash flows are dependent on changes in short-term market interest rates. Due to this 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 maintains further credit lines with banks (see note 5.4.3.).

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

In thousands of Swiss francs	2017	2016
Variable rate instruments		
Financial assets	932'072	185'941
Financial liabilities	(66'500)	-
	865'572	185'941
Fixed rate instruments		
Financial assets	720'573	714'858
Financial liabilities	(299'237)	-
	421'336	714'858

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	2017	2016
Profit or loss		
50 bp increase	4'328	930
50 bp decrease	(4'328)	(930)

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(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 investors in 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 financial investments. The Group used long-term data to determine the volatilities for each asset class.

In thousands of Swiss francs	Carrying amount/volatility			
	2017	Volatility	2016	Volatility
Marketable securities (equity securities held for trading)	10	7%	10	15%
Financial investments:				
Private equity	214'117	18%	193'170	14%
Private debt	146'496	5%	85'829	7%
Private real estate	51'208	8%	47'193	12%
Private infrastructure	39'992	7%	33'033	9%
Assets and liabilities held for sale	105'732	13%	100'496	7%
Total	557'555		459'731	

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	
	2017	2016
Marketable securities (equity securities held for trading)	1	2
Financial investments:		
Private equity	38'541	27'044
Private debt	7'325	6'008
Private real estate	4'097	5'663
Private infrastructure	2'799	2'973
Assets and liabilities held for sale	14'063	7'023
Total	66'826	48'713

5.4.3. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to 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.

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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 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 Group's subsidiaries, over and above the balance required for working capital management, is 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:

- A credit facility of CHF 30 million 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. The facility is subject to several debt covenants which were met throughout the current and prior year.
- The Group has an additional credit facility of CHF 400 million with a syndicate of Swiss banks. This credit facility can be used for general corporate purposes with a primary focus on working capital financing. Interest is calculated at a spread above the applicable LIBOR with a 0% floor. The facility is unsecured but subject to a debt covenant which was met during the current and prior year.

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

In thousands of Swiss francs		31 December 2017				
	Carrying amount	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Trade payables ¹⁾	108'240	108'240				
Derivative liabilities held for risk management ¹⁾	5'897	5'897				
Cash collateral ¹⁾	66'500	66'500				
Long-term debt	299'237					299'237
Other long-term liabilities	2'050				2'050	
Unfunded commitments	214'984	214'984				
	696'908	395'621	-	-	2'050	299'237

¹⁾ Presented in the line item trade and other payables in the consolidated balance sheet.

In thousands of Swiss francs		31 December 2016				
	Carrying amount	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Trade payables ¹⁾	33'960	33'960				
Derivative liabilities held for risk management ¹⁾	1'264	1'264				
Other long-term liabilities	790				790	
Unfunded commitments	171'701	171'701				
	207'715	206'925	-	-	790	-

¹⁾ Presented in the line item trade and other payables in the consolidated balance sheet.

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5.5. 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).

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 2017
	Level 1	Level 2	Level 3	Total
Fixed deposits and marketable securities	10			10
Derivative assets held for risk management ¹⁾		3'329		3'329
Assets held for sale			260'830	260'830
Financial investments			451'813	451'813
Financial assets	10	3'329	712'643	715'982
Derivative liabilities held for risk management ²⁾		5'897		5'897
Liabilities held for sale			155'098	155'098
Other long-term liabilities			1'019	1'019
Financial liabilities	-	5'897	156'117	162'014

¹⁾ Presented in the line item trade and other receivables in the consolidated balance sheet.

²⁾ Presented in the line item trade and other payables in the consolidated balance sheet.

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In thousands of Swiss francs				31 December 2016
	Level 1	Level 2	Level 3	Total
Fixed deposits and marketable securities	1'679			1'679
Derivative assets held for risk management ¹⁾		5'172		5'172
Assets held for sale			187'559	187'559
Financial investments			359'225	359'225
Financial assets	1'679	5'172	546'784	553'635
Derivative liabilities held for risk management ²⁾		1'264		1'264
Liabilities held for sale			87'063	87'063
Other long-term liabilities			790	790
Financial liabilities	-	1'264	87'853	89'117

¹⁾ Presented in the line item trade and other receivables in the consolidated balance sheet.

²⁾ Presented in the line item trade and other payables in the consolidated balance sheet.

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

The following tables show the reconciliation of all level 3 financial instruments in 2017 and 2016:

In thousands of Swiss francs			31 December 2017
	Financial assets	Financial liabilities	
Balance as of 1 January 2017	546'784	87'853	
Additions	306'833	138'674	
Disposals	(210'754)	(78'277)	
Change in fair value ¹⁾	42'670	229	
Exchange differences	27'110	7'638	
Balance as of 31 December 2017	712'643	156'117	

In thousands of Swiss francs			31 December 2016
	Financial assets	Financial liabilities	
Balance as of 1 January 2016	428'179	6'102	
Transfers from level 1	9'904	-	
Additions	229'055	88'380	
Disposals	(151'538)	(4'703)	
Change in fair value ¹⁾	38'165	(130)	
Exchange differences	(6'981)	(1'796)	
Balance as of 31 December 2016	546'784	87'853	

¹⁾ Presented in the line item net finance income and expense in the consolidated income statement.

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There were no transfers between levels in 2017. However, in 2016, the transfer from level 1 to level 3 resulted from the Group's decision to early redeem its certificates in Partners Group Private Equity Performance Holding Limited. As there is no active market for these redeemed certificates, the determination of the 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. The transfer of the financial asset from level 1 to level 3 took place at the beginning of the reporting period.

Financial investments and assets and liabilities held for sale

Financial investments and assets and liabilities 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 financial 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.

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 Committee. These committees decide whether or not new investments will be advised to the manager of the investment program. 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.

Valuation techniques

Financial investments held by the Group consist of assets and liabilities 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 value 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.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

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 equity” method (a debt instrument valuation), or indirectly, by deriving the enterprise value using the “cash flow to entity” 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.

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.

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Sensitivity of fair values

From a Group perspective, financial investments and assets and liabilities 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 these investments held by the Group with changes to be recognized in profit or loss:

In thousands of Swiss francs	31 December 2017	31 December 2016
Adjusted net asset value (1% increase)	5'575	4'597

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 their broad range, in particular concerning the EBITDA multiple, a sensitivity analysis on these underlying unobservable input factors does not result in meaningful outcomes.

6. Investments in associates

The Group accounted for investments in associates as of 31 December 2017 as summarized below:

In thousands of Swiss francs	Principal activity	Fair value	Carrying value	Ownership
Pearl Holding Limited, Guernsey ("Pearl")	Private equity investments	89'651	89'651	28%
LGT Private Equity Advisers, Liechtenstein ("LGT")	Asset management	483	483	40%
Total investments in associates			90'134	

In thousands of Swiss francs	31 December 2017	31 December 2016
Balance as of 1 January	115'988	129'440
Redemption of shares (Pearl)	(42'856)	(13'588)
Share of results (Pearl)	7'340	1'962
Share of results (LGT)	10	3
Exchange differences	9'652	(1'829)
Balance as of end of period	90'134	115'988

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

In thousands of Swiss francs	Pearl		LGT	
	2017	2016	2017	2016
Total assets	319'435	413'123	7'063	2'110
Total liabilities	1'196	3'075	5'855	927
Equity	318'239	410'048	1'208	1'183
Revenues	45'534	18'193	9'594	4'359
Profit/(loss) for the period	26'055	6'960	25	8

The financial information is based on unaudited financial information as of the balance sheet date as received from LGT and Pearl.

Pearl Holding Limited

Pearl's investments are managed on a discretionary basis by Pearl Management Limited, Guernsey, 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 profit or loss as net finance income and expense (see note 5.1.), while the share of results of associates resulting from LGT (see note 6.), is separately disclosed as share of results of associates in the consolidated income statement. The Group assesses LGT's results as comparable to management services and as a consequence discloses the results 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 financial investments (see note 5.3.2.), which are presented as net finance income and expense in the consolidated income statement (see note 5.1.).

7. Trade and other payables

In thousands of Swiss francs	31 December 2017	31 December 2016
Trade payables	108'240	33'960
Goods and services received not yet invoiced	2'658	3'238
Accrued remuneration related costs	71'951	65'680
Derivative liabilities held for risk management	5'897	1'264
Accrued revenue deductions	5'669	11'872
Cash collateral	66'500	-
Other payables	26'685	26'686
Total trade and other payables	287'600	142'700

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

8. Provisions and contingencies

8.1. Provisions

In thousands of Swiss francs			2017
	MCP	Others	Total
Balance as of 1 January 2017	73'947	4'528	78'475
Additions	80'369	4'209	84'578
Reversed amounts (unused)	(1'322)	(2'769)	(4'091)
Amounts used	(62'554)	(973)	(63'527)
Exchange differences	(1'612)	10	(1'602)
Balance as of 31 December 2017	88'828	5'005	93'833
Current	55'909	-	55'909
Non-current	32'919	5'005	37'924
Balance as of 31 December 2017	88'828	5'005	93'833

The majority of provisions relates to the MCP (see note 4.4.).

8.2. 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 contingent liabilities.

9. Income tax

9.1. Income tax expense

9.1.1. Recognized in profit or loss

In thousands of Swiss francs	Note	2017	2016
<i>Current tax expense:</i>			
Current year		100'192	78'197
Under/(over) provided in prior years		(3'194)	2'089
Total current tax expense		96'998	80'286
<i>Deferred tax expense/(income):</i>			
Deferred tax expense/(income), net relating to the origination and reversal of temporary differences	9.2.	(2'163)	(11'787)
Total deferred tax expense/(income)		(2'163)	(11'787)
Total income tax expense		94'835	68'499

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

9.1.2. Weighted average expected tax rate reconciliation

In thousands of Swiss francs	2017	2016
Profit before tax	847'161	626'643
Weighted average expected Group tax rate	10.77%	11.08%
Expected tax expense	91'241	69'455
Non-tax-deductible expense and non-taxable income	(1'864)	(3'186)
Applicable tax rates differing from expected rate	(249)	85
Non-refundable withholding taxes	5'525	-
Changes in statutory applicable tax rate	3'742	-
Under/(over) provided in prior years	(3'194)	2'089
Other impacts	(366)	56
Total income tax expense	94'835	68'499

The Group calculated a weighted average tax rate, taking into account statutory tax rates of the Company and its subsidiaries in their specific jurisdictions, and their contribution to total profit before tax.

9.2. 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 tax assets and deferred tax liabilities.

In thousands of Swiss francs	31 December 2017	31 December 2016
Deferred tax assets	24'749	25'769
Deferred tax liabilities	(2'948)	(3'657)
Deferred tax assets / (liabilities), net	21'801	22'112

In thousands of Swiss francs	2017	2016
Balance as of 1 January, net	22'112	(1'881)
Changes recognized in profit or loss	2'163	11'787
Changes recognized in equity	(1'552)	12'064
Changes recognized in other comprehensive income	(412)	(48)
Exchange differences	(510)	190
Balance of deferred tax assets / (liabilities) as of 31 December, net	21'801	22'112

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Analysis of deferred tax assets and liabilities

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							2017
	Other non-current assets	Financial investments	Employee benefit obligations	Share-based payment expenses	Remuneration	Others	Total
Balance as of 1 January 2017, net	(3'086)	591	320	13'750	9'188	1'349	22'112
Changes recognized in profit or loss	824	(1'071)	(86)	1'757	63	676	2'163
Changes recognized in equity	-	-	-	(1'552)	-	-	(1'552)
Changes recognized in other comprehensive income	-	-	(412)	-	-	-	(412)
Exchange differences	79	(65)	-	(319)	(248)	43	(510)
Balance as of 31 December 2017, net	(2'183)	(545)	(178)	13'636	9'003	2'068	21'801

In thousands of Swiss francs							2016
	Other non-current assets	Financial investments	Employee benefit obligations	Share-based payment expenses	Remuneration	Others	Total
Balance as of 1 January 2016, net	(3'935)	(3'783)	250	4'714	-	873	(1'881)
Changes recognized in profit or loss	812	4'298	118	(2'923)	9'015	467	11'787
Changes recognized in equity	-	-	-	12'064	-	-	12'064
Changes recognized in other comprehensive income	-	-	(48)	-	-	-	(48)
Exchange differences	37	76	-	(105)	173	9	190
Balance as of 31 December 2016, net	(3'086)	591	320	13'750	9'188	1'349	22'112

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.

Financial investments

Taxable temporary differences arise between the tax bases of financial investments and their carrying amounts (fair values with regard to the application of IAS 39) in the consolidated financial statements.

Employee benefit obligations

The Group recognizes deferred tax assets or liabilities out of the application of IAS 19 (for further information see note 4.6.).

Share-based payment expenses

Taxable temporary differences arise (in accordance with IAS 12.68A) from the recognition of share-based payment expenses (see notes 4.2. and 4.3.) 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 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.

Remuneration

Taxable temporary differences arise between the tax bases of remuneration-related accruals and provisions and their carrying amounts in the consolidated financial statements.

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10. Other operating expenses

In thousands of Swiss francs	2017	2016
Consulting expenses	(11'346)	(8'878)
Rental expenses and maintenance costs	(13'434)	(12'470)
Administrative expenses	(20'209)	(20'033)
Travel and representation expenses	(15'231)	(13'390)
Total other operating expenses	(60'220)	(54'771)

11. Property and equipment

In thousands of Swiss francs							2017
	Land	Buildings	Construction in progress	Office furniture	Interior fittings	Equipment and IT fittings	Total
Cost							
Balance as of 1 January 2017	7'322	5'897	188	7'959	18'964	14'658	54'988
Additions	-	-	4'715	1'381	2'696	1'558	10'350
Removals	-	-	-	(2'744)	(406)	(5'209)	(8'359)
Exchange differences	(297)	-	(54)	42	102	126	(81)
Balance as of 31 December 2017	7'025	5'897	4'849	6'638	21'356	11'133	56'898
Accumulated depreciation							
Balance as of 1 January 2017	-	1'031	-	6'537	13'077	12'178	32'823
Additions	-	186	-	732	1'868	1'456	4'242
Removals	-	-	-	(2'744)	(406)	(5'209)	(8'359)
Exchange differences	-	-	-	58	78	84	220
Balance as of 31 December 2017	-	1'217	-	4'583	14'617	8'509	28'926
Carrying amount							
As of 1 January 2017	7'322	4'866	188	1'422	5'887	2'480	22'165
As of 31 December 2017	7'025	4'680	4'849	2'055	6'739	2'624	27'972
Impairment losses incurred in 2017							nil

The costs for the Group's North American headquarter are disclosed in construction in progress.

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In thousands of Swiss francs							2016
	Land	Buildings	Construction in progress	Office furniture	Interior fittings	Equipment and IT fittings	Total
Cost							
Balance as of 1 January 2016	-	5'897	-	7'708	17'892	13'135	44'632
Additions	7'101	-	182	439	1'288	1'847	10'857
Removals	-	-	-	(46)	(32)	(19)	(97)
Exchange differences	221	-	6	(142)	(184)	(305)	(404)
Balance as of 31 December 2016	7'322	5'897	188	7'959	18'964	14'658	54'988
Accumulated depreciation							
Balance as of 1 January 2016	-	845	-	5'603	11'684	10'978	29'110
Additions	-	186	-	1'072	1'548	1'489	4'295
Removals	-	-	-	(46)	(32)	(19)	(97)
Exchange differences	-	-	-	(92)	(123)	(270)	(485)
Balance as of 31 December 2016	-	1'031	-	6'537	13'077	12'178	32'823
Carrying amount							
As of 1 January 2016	-	5'052	-	2'105	6'208	2'157	15'522
As of 31 December 2016	7'322	4'866	188	1'422	5'887	2'480	22'165
Impairment losses incurred in 2016							nil

Operating leases (leases as a lessee)

Non-cancellable operating leases are payable as follows:

In thousands of Swiss francs	31 December 2017	31 December 2016
Less than one year	7'964	10'254
Between one and five years	31'841	36'629
More than five years	1'215	1'725
Total non-cancellable operating leases	41'020	48'608

The Group classifies its office rental payments under operating leases. None of the leases include contingent rentals. During the current year, CHF 10.6 million was recognized as expenses in profit or loss in respect of operating leases (2016: CHF 10.0 million). The Group received payments of CHF 0.7 million (2016: CHF 0.7 million) from sublease agreements. The total expected future sub-lease payments from non-cancellable sub-leases as of 31 December 2017 amounts to CHF 1.3 million (2016: CHF 0.1 million).

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12. Intangible assets

In thousands of Swiss francs						2017
	Client contracts	Goodwill	Software	Placing expenses	Other intangible assets	Total
Cost						
Balance as of 1 January 2017	4'728	33'228	10'194	21'360	6'063	75'573
Additions	-	-	4'419	15'229	1'080	20'728
Exchange differences	161	27	2	(124)	-	66
Balance as of 31 December 2017	4'889	33'255	14'615	36'465	7'143	96'367
Accumulated amortization and impairment losses						
Balance as of 1 January 2017	3'570	-	7'125	9'321	5'023	25'039
Additions	779	-	2'481	5'893	575	9'728
Exchange differences	132	-	2	(21)	-	113
Balance as of 31 December 2017	4'481	-	9'608	15'193	5'598	34'880
Carrying amount						
As of 1 January 2017	1'158	33'228	3'069	12'039	1'040	50'534
As of 31 December 2017	408	33'255	5'007	21'272	1'545	61'487
Impairment losses incurred in 2017						nil

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In thousands of Swiss francs						2016
	Client contracts	Goodwill	Software	Placing expenses	Other intangible assets	Total
Cost						
Balance as of 1 January 2016	5'388	35'586	10'348	9'827	6'063	67'212
Additions	-	-	2'387	11'350	-	13'737
Removals	-	-	(2'530)	-	-	(2'530)
Exchange differences	(660)	(2'358)	(11)	183	-	(2'846)
Balance as of 31 December 2016	4'728	33'228	10'194	21'360	6'063	75'573
Accumulated amortization and impairment losses						
Balance as of 1 January 2016	3'122	-	8'144	5'088	4'410	20'764
Additions	909	-	1'522	4'162	613	7'206
Removals	-	-	(2'530)	-	-	(2'530)
Exchange differences	(461)	-	(11)	71	-	(401)
Balance as of 31 December 2016	3'570	-	7'125	9'321	5'023	25'039
Carrying amount						
As of 1 January 2016	2'266	35'586	2'204	4'739	1'653	46'448
As of 31 December 2016	1'158	33'228	3'069	12'039	1'040	50'534
Impairment losses incurred in 2016						nil

12.1. Placing expenses

The Group selectively uses third party placing agents for the distribution of the investment programs that the Group manages. It is common to compensate such services with a one-off payment, depending on the amount of assets placed by such third party placing agents. 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, typically between three to five years (see note 19.17).

12.2. Goodwill

The carrying amount of goodwill as of 31 December 2017 (CHF 33.3 million; 2016: CHF 33.2 million) has been allocated to the following cash generating units ("CGU"), which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

- Goodwill of CHF 17.4 million (2016: CHF 18.1 million) 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 of CHF 15.9 million (2016: CHF 15.1 million) relating to the acquisition of Partners Group (Italy) SGR S.p.A. in 2013 ("PG Italy"), which was merged into Partners Group (UK) Limited, as of 1 January 2016, has been allocated to the private equity segment.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

Impairment testing for CGUs containing goodwill

The recoverable amounts of the private real estate and the private equity segments were based on their value in use. 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 (2018–2022). 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 2018 to 2022.
- Other operating expenses growth was considered at a constant rate of 10% p.a. (2016: 10% p.a.).
- Personnel expenses growth was considered at a constant rate of 5% p.a. (2016: 5% p.a.) plus additional personnel expenses for additional business revenues (i.e. 35% of additional revenues are expensed as additional personnel and general expenses (2016: 35%)).
- Pre-tax discount rates of 8.9% [PG RE] (2016: 7.9%), respectively 7.9% [PG Italy] (2016: 7.2%), were applied in determining the recoverable amounts of the CGU's. The Group applied market interest rates of 2.4% [PG RE] (2016: 2.4%) and 1.73% [PG Italy] (2016: 2.02%), adjusted by market risk premiums and industry weighted average beta factors.
- The impairment test resulted in a value in use higher than the carrying amount.

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

13. Long-term debt

In thousands of Swiss francs	31 December 2017	31 December 2016
Balance as of 1 January	-	-
Issuance of long-term debts	299'176	-
Accreted interest	61	-
Balance as of end of period	299'237	-

The Group issued the following corporate bonds denominated in Swiss francs and listed on the SIX Swiss Exchange (ISIN: CH0361532895):

Date of issue	Face value in thousands of CHF	Coupon in %	Year of maturity	Issue price in %	Redemption price in %
7 June 2017	300'000	0.150%	2024	100.052%	100.000%

The fair value of the corporate bonds as of 31 December 2017 was CHF 298.9 million and was determined by the quoted market price.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

14. Share capital, capital management and reserves

In effective number of shares	2017	2016
Issued as of 1 January	26'700'000	26'700'000
Issued during the period	-	-
Issued as of 31 December - fully paid in	26'700'000	26'700'000

The issued share capital of the Company comprises 26'700'000 registered shares (2016: 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.

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 2017 (31 December 2016: CHF 218'100), consisting of CHF 217'100 (31 December 2016: CHF 217'100) for legal reserves from capital contributions and of CHF 1'000 (31 December 2016: 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 105'165 (2016: 180'607) 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 operations included in the consolidation.

Dividends

After the balance sheet date, the BoD proposes a dividend distribution of CHF 507.3 million (CHF 19 per share) for 2017. During the reporting period, the Company paid a dividend of CHF 397.4 million (CHF 15 per share) (2016: CHF 277.2 million, CHF 10.50 per share). As the Group's treasury shares were not eligible for a dividend payment, the approved dividend distribution for 2016 of CHF 400.5 million was not fully distributed.

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 also 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 as a result of exercised 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. 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 2017 and 2016.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

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			2017
	Shares issued	Treasury shares	Shares outstanding
Balance as of 1 January 2017	26'700'000	180'607	26'519'393
Purchase of treasury shares		271'421	(271'421)
Disposal of treasury shares		(346'863)	346'863
Balance as of 31 December 2017	26'700'000	105'165	26'594'835
Weighted average number of shares outstanding during the period (360 days)			26'517'721
Shareholders above 5% (in % of shares issued)			
		Shares held	in %
Dr. Marcel Erni		2'673'659	10.01%
Alfred Gantner		2'673'659	10.01%
Urs Wietlisbach		2'673'659	10.01%
BlackRock Inc.		1'639'500	6.14%
In effective number of shares			2016
	Shares issued	Treasury shares	Shares outstanding
Balance as of 1 January 2016	26'700'000	391'524	26'308'476
Purchase of treasury shares		415'047	(415'047)
Disposal of treasury shares		(625'964)	625'964
Balance as of 31 December 2016	26'700'000	180'607	26'519'393
Weighted average number of shares outstanding during the period (360 days)			26'393'427
Shareholders above 5% (in % of shares issued)			
		Shares held	in %
Dr. Marcel Erni		2'673'659	10.01%
Alfred Gantner		2'673'659	10.01%
Urs Wietlisbach		2'673'659	10.01%
BlackRock Inc.		1'422'890	5.33%

In 2015, the Group's founding partners, Dr. Marcel Erni, Alfred Gantner and Urs Wietlisbach, 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. In 2017, each of the founding partners increased the percentage up to 5%. 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 of the collars.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

15. Earnings per share

In Swiss francs	2017	2016
Average fair value of one ordinary share during the period	596.23	428.17
Weighted average exercise price for shares under option during the period	489.19	319.36

		2017
	Earnings per share	Profit for the period
		Number of shares
Profit for the period (in thousands of Swiss francs)		752'326
Weighted average number of ordinary shares outstanding		26'517'721
Basic earnings per share (in Swiss francs)	28.37	
Weighted average number of shares under option during the period		1'006'222
Number of shares that would have been issued at fair value ¹⁾		(742'730)
Diluted earnings per share (in Swiss francs)	28.09	26'781'213

¹⁾ Calculated on the basis of each individual share option grant.

		2016
	Earnings per share	Profit for the period
		Number of shares
Profit for the period (in thousands of Swiss francs)		558'144
Weighted average number of ordinary shares outstanding		26'393'427
Basic earnings per share (in Swiss francs)	21.15	
Weighted average number of shares under option during the period		848'163
Number of shares that would have been issued at fair value ¹⁾		(567'593)
Diluted earnings per share (in Swiss francs)	20.92	26'673'997

¹⁾ Calculated on the basis of each individual share option grant.

As of 31 December 2017, the Group had 1'360'808 options and non-vested shares outstanding (2016: 1'194'619). The treasury shares necessary to cover the granted non-vested shares have already been put aside in separate escrow accounts in the name of the employees. Thus, the number of treasury shares (see note 14) is already net of non-vested shares outstanding.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

16. Related party transactions

The Group has related party relationships with its subsidiaries (see note 17.), investments in associates (see note 6.), pension funds (see note 4.6.), as well as with its management and significant shareholders and their related parties.

In 2017, investments in associates purchased services from the Group in the amount of CHF 9.8 million (2016: CHF 5.1 million).

As of 31 December 2017, loans to related parties of the Group amounted to CHF 3.5 million (2016: CHF 3.9 million) and were included in other financial assets. The loans to related parties of the Group bear interest at market-related interest rates.

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

In effective number of shares	2017	2016
Purchase of treasury shares from shareholders employed by the Group	11'578	16'272
Average purchase price per share (in Swiss francs)	561.57	413.15

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 consulting expenses (see note 10) and personnel expenses (see note 4.1) and amount to:

In thousands of Swiss francs	2017	2016
BoD:		
Short-term employment benefits	2'761	2'837
Other compensation	92	155
Share-based payment expenses	2'055	800
Other long-term benefits (MCP)	6'297	7'737
Post-employment benefits	208	184
Total BoD	11'413	11'713
ExCo:		
Short-term employment benefits	14'201	10'289
Other compensation	426	393
Share-based payment expenses	5'428	401
Other long-term benefits (MCP)	18'072	13'446
Post-employment benefits	942	576
Total ExCo incl. former members	39'069	25'105
Total BoD and ExCo	50'482	36'818

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

At the relevant balance sheet date, the BoD and the ExCo 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 2017	31 December 2016
Board members (vested options)	68'201	38'775
Board members (non-vested options and shares)	3'079	5'365
Members of the ExCo (options and non-vested shares)	169'260	141'251
Total	240'540	185'391

Share ownership (unrestricted):

In effective number of shares	31 December 2017	31 December 2016
Board members	8'385'674	8'384'551
Members of the ExCo	654'922	1'613'851
Total	9'040'596	9'998'402

The decrease in share ownership of members of the ExCo mainly resulted from the new composition of the ExCo. For further information in accordance with Art. 663c of the Swiss Code of Obligations, refer to note 14 of the entity accounts of Partners Group Holding AG.

17. Subsidiaries

17.1. Changes in scope of consolidation

17.1.1. Incorporation of new Group entities

Name	Incorporation date	Principal activity
Partners Group Japan Kabushiki Kaisha, Japan	14 December 2017	Support the Group's investment activities in the region
Partners Group US Management CLO LLC, Delaware (USA)	24 August 2017	Investment Manager for the Group's CLOs
Partners Group Colorado Propco LLC, Delaware (USA)	21 June 2016	Purchase and own land and property for the Group's US operations
Partners Group Client Access 10 MP Management Limited, Guernsey	2 June 2016	General Partner for a Guernsey-based investment program
Partners Group Prime Services Solutions (Philippines), Inc., Philippines	20 April 2016	Investment management services
Partners Group Finance SGD IC Limited, Guernsey	11 March 2016	Support of financing activities for the Group
Partners Group US Management II LLC, Delaware (USA)	2 March 2016	General partner for US-based investment programs
Partners Group US Investment Services LLC, Delaware (USA)	7 January 2016	Support the Group's investment activities in the region

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

17.1.2. Restructurings

No restructuring took place in 2017.

On 16 December 2016, PG Italy was merged into Partners Group (UK) Limited, UK, retrospectively as of 1 January 2016.

17.2. 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 narrow and well-defined objectives.

Consolidated structured entities

The Group seed finances certain investment programs that the Group manages 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 5.3.4.

Unconsolidated structured entities

The fair value of financial investments, as presented in note 5.3.2., represents the Group's participation in unconsolidated investment programs.

17.3. 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 2017	31 December 2016
Partners Group AG	Investment manager	Switzerland	100%	100%
Partners Group Corporate Finance AG	Corporate Finance	Switzerland	100%	100%
Partners Group Japan Kabushiki Kaisha	Investment manager	Japan	100%	-
Partners Group Prime Services Solutions (Philippines), Inc.	Investment management services	Philippines	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 (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 2017 and 2016

At the end of the reporting period, the Group had other subsidiaries that typically perform management services and/or typically hold financial investments (see note 5.3.2.). The principal activities and their place of operation are summarized as follows:

Principal activity	Place of incorporation and operation	Number of subsidiaries	
		31 December 2017	31 December 2016
General partner to investment programs	Guernsey	18	18
General partner to investment programs	Scotland	3	3
General partner to investment programs	Germany	1	1
General partner to investment programs	Cayman Islands	3	3
Manager to investment vehicles	USA	3	2
Holding of land and property	USA	1	1
Investment services	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	6	6
Management services to investment programs	Guernsey	3	3

18. Subsequent events

No events took place between 31 December 2017 and 7 March 2018 that would require material adjustments to the amounts recognized in these consolidated financial statements.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

19. Summary of significant accounting policies

19.1. 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: derivative financial instruments, assets and liabilities 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 described in note 2.

The RAC performed an assessment of the risks to which the Group is exposed to at its meeting on 8 March 2017. The risk management covers in particular the strategic and business risks, operational risks, financial risks (see note 5.4.) as well as reputational risks. For its assessment, the BoD has taken into consideration the internal control system designed to monitor and reduce the risks of the Group.

19.2. Changes in accounting policies

The accounting policies adopted for the year ended 31 December 2017 are consistent with those of the previous financial year, except where new or revised standards were adopted, as indicated below.

19.2.1. Amendments and interpretations effective for the first time

The following amendments and interpretations have been applied:

- “Recognition of Deferred Tax Assets for Unrealised Losses” (Amendments to IAS 12)
- “Annual Improvements to IFRSs 2014-2016 Cycle” (various standards)
- “Disclosure Initiative” (Amendments to IAS 7)

These amendments and interpretations have no significant impact on the Group’s financial statements.

Notes to the consolidated financial statements

for the years ended 31 December 2017 and 2016

19.2.2. 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
New standards or interpretations			
IFRS 9, "Financial Instruments"	**	1 January 2018	Reporting year 2018
IFRS 15, "Revenue from Contracts with Customers"	**	1 January 2018	Reporting year 2018
IFRS 16, "Leases"	**	1 January 2019	Reporting year 2019
IFRS 17, "Insurance Contracts"	*	1 January 2021	Reporting year 2021
Revisions and amendments of standards and interpretations			
Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts (Amendments to IFRS 4)	*	1 January 2018	Reporting year 2018
Transfers of Investment Property (Amendments to IAS 40)	*	1 January 2018	Reporting year 2018
Annual Improvements to IFRSs 2014-2016 Cycle various standards (Amendments to IFRS 1 and IAS 28)	*	1 January 2018	Reporting year 2018
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	*	1 January 2018	Reporting year 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	*	1 January 2018	Reporting year 2018
IFRIC 23 Uncertainty over Income Tax Treatments	*	1 January 2019	Reporting year 2019
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	*	1 January 2019	Reporting year 2019

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

** The impact on the consolidated financial statements is explained in the following.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

IFRS 9, “Financial Instruments”

IFRS 9 replaces IAS 39 and has the objective to establish general principles for the financial reporting of financial assets and financial liabilities. The standard rules the requirements for classification, measurement, derecognition, hedge accounting and introduces a new impairment model for financial assets.

Classification and measurement

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Group’s business model for managing the financial assets and the contractual terms of the cash flows.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

The Group’s management has assessed which business models apply to the financial assets held by the Group at the date of initial application of IFRS 9 and has classified its financial instruments into the appropriate IFRS 9 categories. On the date of initial application, 1 January 2018, no reclassifications were made to the financial instruments of the Group and there is no impact on the Group’s retained earnings due to classification and measurement of financial instruments as at 1 January 2018.

Impairment of financial assets

The new standard replaces the ‘incurred loss’ with an ‘expected loss’ impairment approach for relevant debt instruments. The Group has identified the following debt instruments subject to the expected credit loss model that are held within a business model that has the objective to hold and collect the contractual cash flows and where the contractual cash flows only include principal payments and interest.

From 1 January 2018, the Group measures impairment of financial assets as explained below:

- Cash and cash equivalents where the Group applies the ‘general impairment approach’.
- Trade and other receivables where the Group applies the ‘simplified impairment approach’ using the lifetime expected loss provision.
- Short-term loans where the Group applies the ‘general impairment approach’.

The application of the revised impairment approach will have no significant impact on the Group’s retained earnings.

Transition

In accordance with the transitional provisions in IFRS 9, comparative figures will not be restated.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

IFRS 15, “Revenue from Contracts with Customers”

The International Accounting Standards Board has issued a new standard for the recognition of revenues that replaces existing revenue recognition guidance, including IAS 18 “Revenue”, IAS 11 “Construction Contracts” and IFRIC 13 “Customer Loyalty Programmes.” IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized when it satisfies its performance obligations in a contract at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has assessed the impact of the new standard on revenues earned for its businesses and activities:

Management fees and other revenues

The Group earns investment management fees for discretionary mandates, typically based on long-term contracts. The fees are often based on the investment exposure by investors into investment structures and are often payable on a quarterly basis in advance. The performance obligation of the Group in respect of these fees is to manage the investment structures on an ongoing basis. Ongoing investment management fees including all non-performance related fees are recognized when they are earned, based on the specific contracts.

In the process of structuring new products, the Group typically receives a fee for its services in connection with establishing investment programs and related legal and structuring work. These organizational fees are always one-off fees, which are typically received when a new investor commits into the structure. The structuring of the relevant investment program comprises a separate performance obligation of the Group, and therefore revenue is recognized at the point the investor commits. Occasionally, the Group also receives transaction fee income relating to private market transactions. These transaction fees are typically one-time occurring. The performance obligation of the Group is satisfied by the execution of the private market transaction, and therefore revenue is recognized at the point in time that the execution of the transaction is completed.

Based on its assessment, the Group does not expect the application of IFRS 15 to result in significant differences in the timing of revenue recognition for these services.

Performance fees

Performance-related revenues are only recognized once it is highly probable that the fees are not subject to significant reversal (future clawback) in the assessment of the Group. This assessment may include inputs such as, but not limited to, distributions to investors, current net asset value, prudent estimated future cash flows, as well as the investment program’s life cycle and the market environment.

Based on its assessment, the Group does not expect the application of IFRS 15 to result in significant differences in the timing of revenue recognition for these services.

Transition

The Group intends to adopt the standard using the cumulative effect method which means that the cumulative impact of the adoption will be recognized in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

IFRS 16, "Leases"

The International Accounting Standards Board has issued a new standard for leases that replaces existing leases guidance, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases - Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of the Lease". Under the new standard, an asset (the right to use the leased item) and a financial liability representing the present value of the outstanding lease payments are recognized. The only exceptions are short-term and low-value leases. In addition, the nature of expenses related to those leases will change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for the right-of-use assets and interest expense of lease liabilities.

The Group is still assessing the impact of the application of the new standard that will primarily affect the accounting of the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of CHF 41.0 million (see note 11.).

19.3. 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.

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.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

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 accounts for its interest in associates using the equity method.

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 financial investments, the share of results is presented as net finance income and expense in the consolidated income statement.

19.4. 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.

19.5. 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.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

(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.

Resulting 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	Change to prior year	Average rate	Change to prior year
2017	EUR	1.1704	+9.2%	1.1118	2.0%
	USD	0.9748	-4.1%	0.9844	-0.1%
	GBP	1.3190	+5.0%	1.2683	-5.0%
	SGD	0.7294	+3.7%	0.7132	0.0%

Year	Currency	Balance sheet rate	Change to prior year	Average rate	Change to prior year
2016	EUR	1.0721	-1.4%	1.0898	+2.1%
	USD	1.0161	+1.6%	0.9853	+2.4%
	GBP	1.2556	-14.9%	1.3344	-9.2%
	SGD	0.7037	-0.3%	0.7135	+1.9%

19.6. 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.

19.7. 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 3.). Within the different businesses, the Group earns income for its various activities, which are further explained and outlined below:

Management fees and other revenues

The Group earns investment management fees for discretionary mandates, typically based on long-term contracts. The fees are typically based on the commitments by investors into investment structures and are typically payable on a quarterly basis in advance. Ongoing investment management fees including all non-performance related fees are recognized when they are earned, based on the specific contracts.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

In the process of structuring new products, the Group typically receives a fee for its services in connection with establishing investment programs and related legal and structuring work. These organizational fees are always one-off fees, which are typically received 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.

Performance fees

Typically, performance fees are recognized so that they do not exceed the portion generated from realized investments and so that there is a sufficiently large cushion for any potential negative development on the remaining portfolio, therefore resulting in a very low probability that these fees are subject to a reversal in a potential claw-back situation (refer to note 2.(c)).

Accordingly, the recognition of performance fees of investment programs with a claw-back is assessed based on a three-step approach once a pre-defined return hurdle has been exceeded: (1) the total proceeds from realized investments are determined and the corresponding costs of such realized as well as of fully written-off investments are deducted ("Net Proceeds"). (2) the NAV of unrealized investments is determined. The respective NAV will be written down (in a so-called "Write-Down Test") to the extent that the probability of a future claw-back risk becomes minimal. Then the corresponding costs of such unrealized investments are deducted, resulting in a "Net Adjusted NAV". This Net Adjusted NAV is added to the Net Proceeds. In the final third step (3), performance fees to be recognized are calculated by multiplying the lower of (1) and (2) by the applicable performance fee rate.

The Write-Down Test is applied to all private markets investment programs with a claw-back while the discount applied in the Write-Down Test may vary from investment program to investment program considering specific risk characteristics, including macroeconomic, (geo-) political and investment program specific risk factors. The discount applied in the Write-Down Test is assessed semi-annually by the Group and regularly reviewed by the Board of Directors. In 2017, the applied discount bandwidth was between 50% and 80% (2016: between 50% and 80%).

Revenue deductions

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 the double charging of fees.

19.8. Other operating income

Other operating income comprises income resulting from the ordinary course of business but that 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.

19.9. Leases

Leases where the lessor substantially retains 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.

19.10. Consulting expenses

Consulting expenses comprise BoD compensation (non-executive) as well as legal, consulting and other fee expenses to third parties.

19.11. 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 and foreign exchange gains/losses.

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 typically the ex-dividend date.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

19.12. Income tax expense

Income tax expense for the period comprises current and deferred tax expense. 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.

19.13. 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 of the consolidated balance sheet.

19.14. Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost, less impairment losses.

19.15. 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 assets and liabilities 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 as 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 financial investments in the consolidated balance sheet.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

19.16. Property and equipment

Property and equipment is stated at cost less accumulated depreciation and impairment losses. Costs include 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 30–50 years
- Interior fittings 5–10 years
- Office furniture 5 years
- Equipment and IT fittings 3–5 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. Land is not depreciated.

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 19.19.).

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.

19.17. Intangible assets

(a) Client contracts

Client contracts, which the Group acquired and which are recognized as intangible 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 (typically 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 in the consolidated income statement.

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.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

(d) Placing expenses

In the course of its business, the Group selectively uses placing agents to place some of its investment programs. The cost paid to such placing 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.

(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 estimated useful life of intangible assets is as follows:

- | | |
|---------------------------|------------|
| • Goodwill | indefinite |
| • Software | 3–5 years |
| • Placing expenses | 3–5 years |
| • Client contracts | 3–5 years |
| • Other intangible assets | 3–10 years |

19.18. 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 note 5.4.1.; short-term loan, see note 5.3.5.), except for amounts with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets (other financial assets).

(c) Recognition and measurement

Purchases and sales of investments are recognized on the settlement date – the date on which the financial asset is delivered to the entity that purchases it. Investments are initially recognized at fair value plus, in the case of financial assets not carried at fair value through profit or loss, transaction costs. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has substantially transferred 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 2017 and 2016

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 5.5.

19.19. 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 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 ("CGU") 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 2017 and 2016

19.20. Trade and other payables

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

19.21. 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.

19.22. Employee benefits

(a) Defined benefit plan

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 in the consolidated income statement 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, typically 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 obligation/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 obligation/asset, taking into account any changes in the net defined benefit obligation/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.

The Group opted for the Risk-Sharing approach.

Notes to the consolidated financial statements for the years ended 31 December 2017 and 2016

(b) Share-based payment transactions

The fair value at grant date of share-based payment awards granted to employees is recognized as personnel expenses in the consolidated income statement with a corresponding increase in equity, over the period until the employees unconditionally become entitled to the awards. The amount recognized as personnel 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 personnel 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 without 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.

(c) Performance-related compensation

The NCC and the BoD plan an allocation of up to 40% of recognized performance fees to employees ("Performance Fee Compensation Pool"). A portion of the Performance Fee Compensation Pool has typically been pre-allocated via the MCP to employees when the underlying investments were made or developed ("MCP Pool"). MCP Pool-related costs result in a liability, which is recognized as a provision in the consolidated balance sheet (see notes 4.4. and 8.1.).

The difference between the Performance Fee Compensation Pool and the MCP Pool is allocated to a "Performance Fee Bonus Pool" which is distributed among individuals across teams and departments based on their contribution to performance. The part of the Performance Fee Bonus Pool that is settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services are short-term employee benefits. These short-term employee benefits are disclosed in the line item trade and other payables in the consolidated balance sheet.

The part of the Performance Fee Compensation Pool that is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services represents a constructive obligation towards a group of employees. This portion is therefore considered as long-term employee benefits and is disclosed in the line item employee benefits in the consolidated balance sheet.

19.23. Long-term debt

Long-term debt is initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition these liabilities are measured at amortized cost using the effective interest method, with interest expense recognized in the consolidated income statement on the effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

19.24. 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.

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



Statutory Auditor's Report

To the General Meeting of Partners Group Holding AG, Baar

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Partners Group Holding AG, which comprise the balance sheet as at 31 December 2017, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 110 to 120) for the year ended 31 December 2017 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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



Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the 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

Thomas Dorst
Licensed Audit Expert
Auditor in Charge

Philipp Rickert
Licensed Audit Expert

Zurich, 7 March 2018

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

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Income statement of Partners Group Holding AG

for the years ended 31 December 2017 and 2016

In thousands of Swiss francs	Note	2017	2016
Dividend income		846'374	428'398
Other finance income	2.	58'901	49'569
Total income		905'275	477'967
Third party services		(2'066)	(1'196)
General and administrative expenses		(1'362)	(1'378)
Travel and representation expenses		(109)	(114)
Finance expense	3.	(72'552)	(70'580)
Profit before tax		829'186	404'699
Direct taxes		(3'834)	(1'200)
Profit for the period		825'352	403'499

Balance sheet of Partners Group Holding AG

as of 31 December 2017 and 2016

In thousands of Swiss francs	Note	31 December 2017	31 December 2016
Assets			
Cash and cash equivalents		525'293	75'085
Other current receivables	4.	420'411	406'277
Deferred expenses and accrued income		3	13
Total current assets		945'707	481'375
Financial assets	5.	4'712	4'317
Participations	6.	1'357'708	1'118'372
Total non-current assets		1'362'420	1'122'689
Total assets		2'308'127	1'604'064
Liabilities and equity			
Liabilities			
Current interest-bearing liabilities to subsidiaries		561'043	595'088
Other current liabilities	7.	1'395	8'006
Total current liabilities		562'438	603'094
Non-current interest-bearing liabilities	8.	300'000	-
Other non-current liabilities		145	-
Provisions	9.	1'893	1'158
Total non-current liabilities		302'038	1'158
Total liabilities		864'476	604'252
Equity			
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		674'929	668'812
Profit for the period		825'352	403'499
Treasury shares	10.	(57'115)	(72'984)
Total equity		1'443'651	999'812
Total liabilities and equity		2'308'127	1'604'064

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2017 and 2016

1. Accounting principles

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

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.

Receivables and liabilities

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

Financial assets

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

Participations

The Company applies the Group valuation principle for the valuation of all its 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	2017	2016
Interest income	2'996	1'359
Foreign exchange gains	29'235	25'878
Gain on treasury shares transactions	26'670	22'332
Total other finance income	58'901	49'569

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2017 and 2016

3. Finance expense

In thousands of Swiss francs	2017	2016
Interest expense	(8'809)	(4'433)
Foreign exchange losses	(26'109)	(24'325)
Loss on treasury shares transactions	(36'204)	(41'373)
Other finance expense	(1'430)	(449)
Total finance expense	(72'552)	(70'580)

4. Other current receivables

In thousands of Swiss francs	31 December 2017	31 December 2016
Other current receivables		
Third parties	48	54
Subsidiaries	420'363	406'223
Total other current receivables	420'411	406'277

5. Financial assets

In thousands of Swiss francs	31 December 2017	31 December 2016
Loans to subsidiaries	4'681	4'288
Other financial assets	31	29
Total financial assets	4'712	4'317

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2017 and 2016

6. Participations

	Domicile	Ownership and voting interest	
		31 December 2017	31 December 2016
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 Colorado Propco, LLC	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 Prime Services Solutions (Philippines), Inc.	Philippines	100%	100%
Partners Group Japan Kabushiki Kaisha	Japan	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%	100%
Partners Group Cayman Management II Limited	Cayman Islands	100%	100%
Partners Group Cayman Management III Limited	Cayman Islands	100%	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%

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2017 and 2016

	Domicile	Ownership and voting interest	
		31 December 2017	31 December 2016
Partners Group Management VIII Limited	Guernsey	100%	100%
Partners Group Management IX Limited	Guernsey	100%	100%
Partners Group Management X Limited	Guernsey	100%	100%
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%	100%
Partners Group Client Access Management I Limited	Guernsey	100%	100%
Partners Group Access Finance Limited	Guernsey	100%	100%
Partners Group Client Access 10 MP Management 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 Finance SGD 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 2017	31 December 2016
Accrued audit expenses	146	174
Other accrued expenses	733	5'936
Tax liabilities	101	1'557
Sundry liabilities	415	339
Total other current liabilities	1'395	8'006

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2017 and 2016

8. Non-current interest-bearing liabilities

The Company issued the following corporate bonds denominated in Swiss francs and listed on the SIX Swiss Exchange (ISIN: CH0361532895):

Date of issue	Face value in thousands of CHF	Coupon in %	Year of maturity	Issue price in %	Redemption price in %
7 June 2017	300'000	0.150%	2024	100.052%	100.000%

9. Provisions

In thousands of Swiss francs	31 December 2017	31 December 2016
Provisions for compensation to board members		
Option grants	1'759	1'083
Management carry program	125	70
Social security expenses on management carry program	9	5
Total provisions	1'893	1'158

10. Treasury shares

	Number of shares	Weighted average price	Total value
		In Swiss francs	In thousands of Swiss francs
Balance as of 1 January 2016	391'524	341.75	133'802
Purchase of treasury shares	415'047	399.65	165'871
Disposal of treasury shares	(625'964)	362.14	(226'689)
Balance as of 31 December 2016	180'607	404.10	72'984
Purchase of treasury shares	271'421	559.84	151'952
Disposal of treasury shares	(346'863)	483.83	(167'821)
Balance as of 31 December 2017	105'165	543.10	57'115

The Company has 1'360'808 (31 December 2016: 1'194'619) outstanding employee options and non-vested shares. The treasury shares necessary to cover the granted non-vested shares have already been put aside in separate escrow accounts in the name of the employees. Thus, the number of treasury shares is already net of non-vested shares outstanding (see also note 4.3. of the consolidated financial statements).

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2017 and 2016

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

In Swiss francs	2017			2016		
	Number of instruments	Weighted average price	Total value	Number of instruments	Weighted average price	Total value
Board of Directors						
Shares	592	676.00	400'192	1'116	494.00	551'304
Options	35'078	23.52	825'035	10'110	24.73	250'020
Executive Committee						
Shares	1'332	676.00	900'432	811	494.00	400'634
Options	-	-	-	51'000	14.62	745'620

12. Commitments and contingent liabilities

In thousands of Swiss francs	31 December 2017	31 December 2016
Guarantees for subsidiaries	430'000	405'000

The Company and certain subsidiaries maintain the following lines of credit as of 31 December 2017 (see note 5.4.3. of the consolidated financial statements):

- CHF 30 million
- CHF 400 million

The amounts drawn by subsidiaries are guaranteed by the Company.

As of 31 December 2017 there are no outstanding drawings by a subsidiary (2016: CHF 0).

13. Shareholders above 5%

	31 December 2017	31 December 2016
Dr. Marcel Erni	10.01%	10.01%
Alfred Gantner	10.01%	10.01%
Urs Wietlisbach	10.01%	10.01%
BlackRock, Inc.	6.14%	5.33%

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2017 and 2016

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

Number of shares and options		31 December 2017	
	Share ownership	Non-vested shares	Options
Board of Directors			
Dr. Peter Wuffli, Chairman	10'000	-	28'612
Dr. Charles Dallara, Vice Chairman	3'716	2'679	6'000
Dr. Marcel Erni	2'673'659	-	-
Michelle Felman	102	-	5'211
Alfred Gantner	2'673'659	-	-
Steffen Meister	350'675	-	1'350
Grace del Rosario-Castaño	102	-	6'743
Dr. Eric Strutz	102	-	10'055
Patrick Ward	-	-	10'630
Urs Wietlisbach	2'673'659	-	-
Executive Committee			
André Frei, Co-Chief Executive Officer	57'800	383	32'820
Christoph Rubeli, Co-Chief Executive Officer	538'722	383	2'500
Marlis Morin	16'656	777	1'700
Andreas Knecht, Chief Operating Officer and General Counsel	3'618	1'083	37'100
David Layton	2'300	923	24'500
Juri Jenkner	7'368	825	32'404
Dr. Michael Studer	28'458	882	32'980
Total	9'040'596	7'935	232'605

Notes to the financial statements of Partners Group Holding AG for the years ended 31 December 2017 and 2016

Number of shares and options		31 December 2016	
	Share ownership	Non-vested shares	Options
Board of Directors			
Dr. Peter Wuffli, Chairman	10'000	-	18'479
Dr. Charles Dallara, Vice Chairman	2'728	3'360	6'000
Dr. Marcel Erni	2'673'659	-	-
Michelle Felman ¹⁾	102	-	2'022
Alfred Gantner	2'673'659	-	-
Steffen Meister	350'540	135	1'350
Grace del Rosario-Castaño	102	-	3'554
Dr. Eric Strutz	102	-	9'240
Patrick Ward	-	-	-
Urs Wietlisbach	2'673'659	-	-
Executive Committee			
André Frei, Co-Chief Executive Officer	61'037	744	34'500
Christoph Rubeli, Co-Chief Executive Officer	538'361	744	2'500
Claude Angéloz	283'496	504	1'300
Andreas Baumann	10'435	800	5'340
René Biner	38'841	584	840
Felix Haldner	369'023	504	4'300
Andreas Knecht, Chief Operating Officer and General Counsel	2'916	1'489	38'100
Marlis Morin	16'282	1'003	1'700
Stefan Näf	129'893	584	5'700
Dr. Stephan Schäli	95'056	584	1'700
Dr. Michael Studer	29'015	1'027	34'900
Dr. Cyrill Wipfli, Chief Financial Officer	39'496	504	1'300
Total	9'998'402	12'566	172'825

¹⁾ member of the Board of Directors since 11 May 2016

15. 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 2017

In thousands of Swiss francs	31 December 2017
Profit for the period	825'352
Results carried forward	674'929
Total voluntary retained earnings available for appropriation	1'500'281
Proposal by the Board of Directors to the Annual General Meeting of shareholders:	
To be distributed to shareholders	(507'300)
To be carried forward	992'981

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, covering the year ended 31 December 2017. In this report, the Nomination & Compensation Committee outlines the philosophy and principles behind Partners Group's compensation structure and discloses the compensation paid to the members of the Executive Committee and Board for the fiscal year 2017.



Grace del Rosario-Castaño Member of the Board and Chairwoman of the Nomination & Compensation Committee

2017 performance

In 2017, we continued to realize potential in private markets and expanded our global investment platform to over 1'000 employees across 19 offices worldwide. This expansion has enabled us to further raise investment capacity and transact on more assets with value creation potential. We invested a total of USD 13.3 billion on behalf of our clients, maintaining our highly disciplined approach and high standards of selectivity in a market characterized by full valuations across all private markets asset classes.

Successful investment and exit activities and additional client demand ultimately resulted in solid financial performance. Revenues and EBITDA increased by 28% and 37% compared to the previous period to CHF 1'245 million and CHF 825 million, respectively. Revenues from performance fees amounted to CHF 372 million in 2017, compared to CHF 294 million in 2016. Clients remain the principal beneficiaries of the returns generated, as these revenues from performance fees were a result of consistently strong performance in a number of mature client portfolios. IFRS profit increased by 35%, standing at CHF 752 million for the period.

2017 performance

Platform

Investment activity	USD 13.3 billion
New client commitments	EUR +13.3 billion
2017 year-end AuM	EUR 61.9 billion
Net AuM growth	+14%

Financials

Management fees <i>Growth</i>	CHF 873 million +29%
Performance fees <i>Growth</i>	CHF 372 million +26%
EBITDA <i>Growth</i>	CHF 825 million +37%
Profit <i>Growth</i>	CHF 752 million +35%

Dedicated to further developing our compensation structure

As a private markets investment manager, we value our long-term approach to investment, since it enables us to optimize value creation for all stakeholders. We value a similar long-term approach when it comes to employee compensation. Our compensation schemes encourage a comprehensive perspective and promote sustainable value creation in line with the strategy and core values of Partners Group.

In 2017, we continued to develop our compensation structure and introduced three changes that we believe will align the interests of our employees with those of our clients and shareholders even further.

Though the general philosophy behind our compensation policy has remained unchanged since our inception, we undertake periodic reviews of our compensation structure and make

Compensation Report

adjustments as necessary in order to ensure that the interests of employees, clients, shareholders and other stakeholders remain well aligned. We take into account our ongoing dialogue with major shareholders and several proxy advisors and reflect on industry trends as well as best practice principles.

Review of our compensation structure in 2017

In 2017, we continued to develop our compensation structure to align the interest of our employees with those of our clients and shareholders even further. We have introduced three main changes which we believe achieve this aim:

- **we amended** our long-term incentives for senior executives and non-independent Board members and introduced a new share-based award
- **we capped** the total variable compensation for members of our executive management team
- **we introduced** a clear distinction between the pay of independent and non-independent Board members

With regard to the first point, we revised the structure of the largest long-term compensation component for Executive Committee members and non-independent Board members. The Management Carry Plan (MCP) introduced in 2010 will be replaced by a new Management Performance Plan (MPP) for this group of senior leaders.

The MPP is a share-based award which reinforces a strong alignment of interests with our shareholders on the one hand, as it is dependent on Partners Group's share price development. On the other hand, it also ensures a strong alignment of interests with our clients, as the payout of shares is linked to performance fee generation. We believe that this ensures members of the Executive Committee and non-independent members of the Board are strongly incentivized to focus on both driving forward the firm's earnings growth as well as realizing attractive investment returns for our clients.

With regard to the second point, we believe base compensation should represent only a minor component of total compensation for senior executives. This is why with increasing seniority, a larger part of an employee's total compensation consideration is variable and tied to long vesting periods. Following a review of our compensation structure in 2017, we have introduced a new cap, which covers the total variable compensation for Executive Committee members. The cap is split into two parts, which each represent a multiple of the Executive Committee member's base compensation:

- firstly, short-term variable compensation components (cash bonus) should not exceed 3x an executive's base compensation in a given year
- secondly, the long-term variable compensation components (equity securities and MPP) should not exceed 10x an executive's base compensation

With regards to the third point, we have introduced a clear distinction between the pay of independent and non-independent members of the Board. Independent Board members will no longer receive the same performance-based awards as the Executive Committee and will therefore not participate in the MPP. Their remuneration will stem entirely from a combination of cash and equity.

The Nomination & Compensation Committee is convinced that these amendments should find support from shareholders and, at the same time, allow the firm to attract and retain highly competent and entrepreneurial individuals that share Partners Group's values.

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

Aligning compensation with the firm's strategy

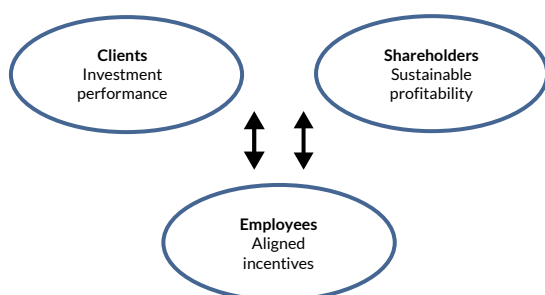
Our compensation framework supports the firm's business strategy and promotes a corporate culture that contributes to the company's sustained success, while adhering to its vision and values. The philosophy behind the compensation framework is based on our aim of providing clients and their beneficiaries 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.

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 1: Aligning the interests of clients, shareholders and employees



Our compensation philosophy stems from our firm's values

Our purpose is to deliver our **clients** superior investment performance, realizing the potential of private markets through our integrated platform. We strive for attractive financial returns and a premium valuation to honor the long-term confidence of our **shareholders**. At the same time, our charter defines our overriding compensation philosophy for the most important asset of our firm, our **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.

Compensation Report

2. Compensation components

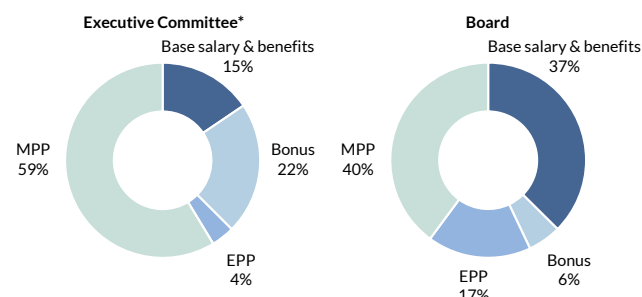
Our compensation framework is structured around short-term incentives (STIs) and long-term incentives (LTIs) that are weighted differently in the overall compensation consideration depending on the function, level of experience and contribution of an individual employee, among other factors. Our long- and short-term compensation components are outlined in Exhibit 2 and explained in more detail in the remainder of this section.

We believe that with an increasing level of seniority, base salary should not represent the major component of total compensation. This is why, with increasing seniority, a larger part of an employee's total compensation consideration is variable and tied to long vesting periods. This is intended to ensure that the interests of employees and senior leaders are strongly aligned with those of clients and shareholders, and involves a focus on both the underlying performance of our investment programs and the overall performance of the firm.

By overweighting long-term compensation components, Partners Group's compensation framework should encourage responsible and sustainable decision-making by the Board and Executive Committee and discourage short-term risk-taking.

Exhibit 3 shows the tilt towards such components in the total compensation of the Executive Committee and Board.

Exhibit 3: 2017 Executive Committee and Board compensation split



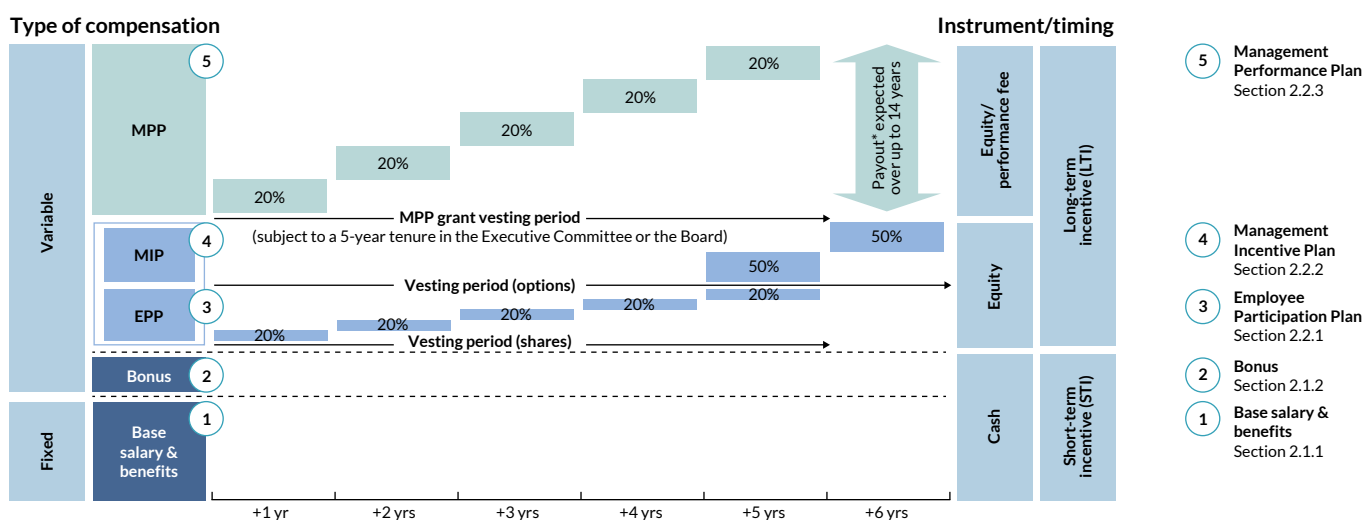
*This graph does not include the compensation of members who left the Executive Committee in 2017.

The ability to generate performance fees remains crucial for the firm, its clients and employees

Both the firm's STIs, such as cash bonuses, as well as its LTIs, such as the MPP, are linked to the ability to generate performance fees through successful investment activities. We therefore believe it is crucial to understand the mechanics of how performance fees are shared between clients, the firm and professionals before explaining the different compensation components in detail.

The link between these dedicated performance fee-related compensation programs and the firm's strategy is straightforward: if value creation in underlying assets is strong, investment performance for clients should also be strong, resulting in a higher amount of performance fees, of which senior professionals, on aggregate, receive a predefined pro-rata stake. On the other hand, should there be limited value

Exhibit 2: Executive Committee and Board compensation components overview



*The MPP grants vest linearly over a period of five years. For members of the Executive Committee and non-independent members of the Board of Directors, the linear vesting is subject to a minimum five-year tenure in the respective committee. Before that, it has a 5-year cliff vesting attached. The actual MPP payout 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.

Compensation Report

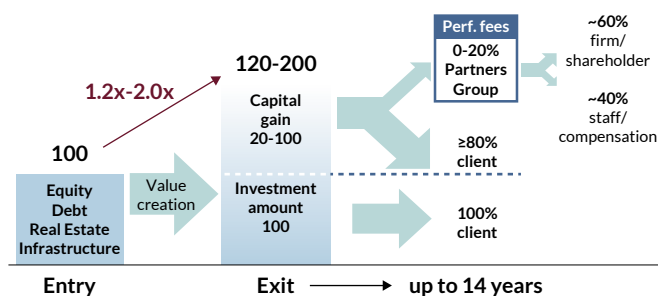
creation in client portfolios during the holding period of an investment, senior professionals receive a significantly lower payment (or nothing at all) from their pro-rata stake in potential performance fees.

Typically, performance fee-related compensation programs are paid out to recipients once investments from the relevant 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 often takes up to 14 years from the point of a performance fee-related grant until the full payout is received.

The firm's LTIs depend on investment success and value creation in client portfolios. We therefore link these dedicated performance fee-related compensation programs to the investment outcomes of our underlying investment programs.

For this reason, the final nominal compensation amounts 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 4: Performance allocation between clients, the firm and staff (illustrative example)



- **“Worst case”:** should no performance fees be generated from investments made in a given year, due to an investment performance resulting in returns lower than predefined hurdle rates, then there will be no payments from performance fee-related compensation programs 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 a given year is paid out to performance fee-related plan participants from the same year. 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.

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 distributable to professionals.

Firstly, a year with a higher invested amount typically leads to a higher amount of potential future performance fees. In contrast, a year with a lower invested amount leads to a lower amount of potential future performance fees. Secondly, assuring investment quality is of utmost importance, as low-quality investments can reduce performance fee potential. Lastly, the proportion of equity investments relative to credit investments also impacts future performance fee potential. A higher proportion of equity investments can lead to a higher amount of potential future performance fees. In contrast, a year with more credit investments can lead to a lower amount of potential future performance fees.

For example, in 2017, Partners Group invested a record amount of USD 13.3 billion while maintaining a disciplined approach without compromising on expected investment returns. However, a shift in the investment mix towards higher volumes deployed in credit markets has resulted in a lower overall performance fee pool in 2017 compared to 2016. The pool decreased by roughly a third.

Compensation Report

2.1. Short-term incentives (STIs)

2.1.1. Base salary & benefits

Base salaries for all employees are based on an individual's role and level of responsibility for the upcoming year and are typically only adjusted meaningfully with a change of role. They are paid on a monthly basis and 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 an STI paid in cash. 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 remain available to staff after long-term performance fee incentive programs receive their predefined allocations.

The bonus budget allocation for departments, teams and individuals depends on their performance and contribution to the overall achievement of the firm's goals during the period and is discussed in greater detail in section 3.2. Employees are typically notified of their bonus at year-end and receive their bonus payments the following February.

2.2. Long-term incentives (LTIs)

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. The 2017 EPP was a shares-only plan for the firm's employees and its budget allocation for departments, teams and individuals depends on their performance and contribution to the overall achievement of the firm's goals during the period.

Link to strategy

The share ownership of partners and employees ensures that the interests of the firm's employees are strongly aligned with those of external shareholders and means employees are focused on creating long-term sustainable value and profitability. The EPP further strengthens the alignment of

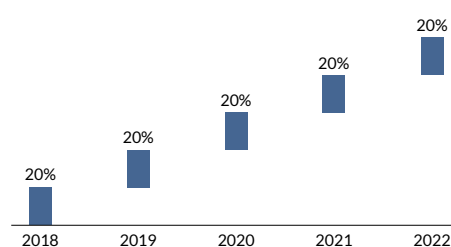
these interests and fosters long-term thinking and actions while discouraging short-term risk taking.

Vesting parameters

The vesting of the 2017 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.

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 section 4 of the notes to the consolidated financial statements included in the 2017 Annual Report.

Exhibit 5: 2017 EPP vesting parameters (shares) for senior professionals



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. Also, 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)

Next to the existing share-only Employee Participation Plan (EPP), there is a long-term option-only plan, the Management Incentive Plan (MIP). The MIP features a strike price set substantially above the share price when granted and is by invitation only. It 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.

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.

Compensation Report

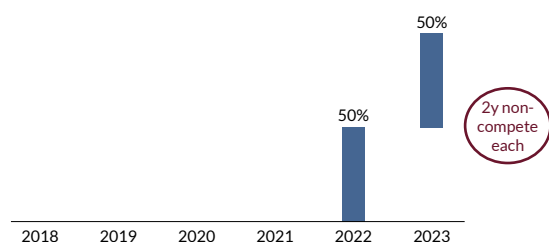
It should also give participants the opportunity to build a substantial equity ownership in the firm which ultimately should serve as a material commitment and retention tool.

Vesting parameters

The vesting of the 2017 MIP option grants for senior management follows a five-year (50% of grant) and six-year (50% of grant) cliff-vesting model. In addition, the plan includes 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 section 4 of the notes to the consolidated financial statements included in the 2017 Annual Report.

Exhibit 6: General MIP vesting parameters (options) for senior professionals



2.2.3. Management Performance Plan (MPP)

In 2017, Partners Group revised its dedicated performance fee-related compensation program and introduced the Management Performance Plan (MPP) for Executive Committee members and non-independent Board members. Going forward, this compensation component will replace the Management Carry Plan (MCP) for this group of senior leaders.

The MPP directly links the pay of executives and non-independent Board members to the firm's share price performance and performance fee generation.

The MPP reinforces a strong alignment of interests with shareholders as it is dependent on the share price development over a five-year horizon. At the same time, the MPP ensures a strong alignment of interests with clients as it is dependent on the achievement of a performance fee target, which ultimately derives from active value generation and the realization of investment opportunities in underlying client portfolios.

The MPP requires recipients to have a long-term perspective, as it often takes up to 14 years until the full performance fee payouts of a particular investment year are received. Given the length of this period, we believe the MPP promotes a focus on sustainable value creation and avoids inappropriate risk-taking or short-term profit maximization at the expense of long-term return generation for our clients.

The MPP consists of an option-like component (component 1), which focuses on the firm's share performance, and a performance fee component (component 2), which focuses on active value creation in the firm's underlying investment programs. Achieving only one component while not the other results in no payout. Any payout will be in a number of restricted Partners Group shares in the value of the respective payout.

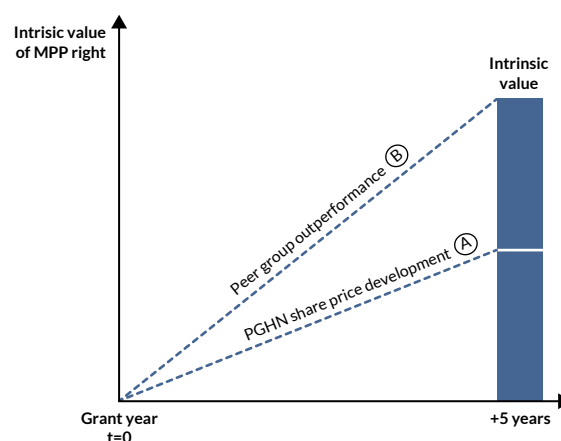
Component 1: share price development (year 1 to 5)

As a public firm, we aim to provide superior and sustainable total shareholder return and ensure that senior executives place an emphasis on positive share price development over the mid- to long-term. We therefore link component 1 of the MPP to the development of the share price of Partners Group Holding AG (ticker: PGHN):

- on an absolute basis (increase of share price over a period of five years); and
- on a relative basis (outperformance over a benchmark index over a period of five years).

The intrinsic value of these MPP rights will be measured five years after the grant date. On this date, we measure the absolute performance of the share price ("A" in Exhibit 7) and its outperformance over the benchmark index ("B" in Exhibit 7). We believe that measuring performance over an extended five-year period is consistent with the long-term orientation of the firm's business.

Exhibit 7: Determining intrinsic value of MPP rights based on share price development and index outperformance



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50% of the grant value of these MPP rights relates to absolute shareholder return, while the remaining 50% relates to a total return outperformance against the benchmark, the S&P Listed Private Equity Index. We believe the S&P Listed Private Equity Index is the closest industry benchmark and therefore represents the best proxy to measure Partners Group's relative performance within the private markets industry.

(A) Share price performance (50% of grant value)

Company:	Partners Group Holding AG
Ticker (BB):	PGHN
Performance:	price return
Valuation date:	5 years after grant
Intrinsic value:	difference between share price in 2022 vs. share price in 2017

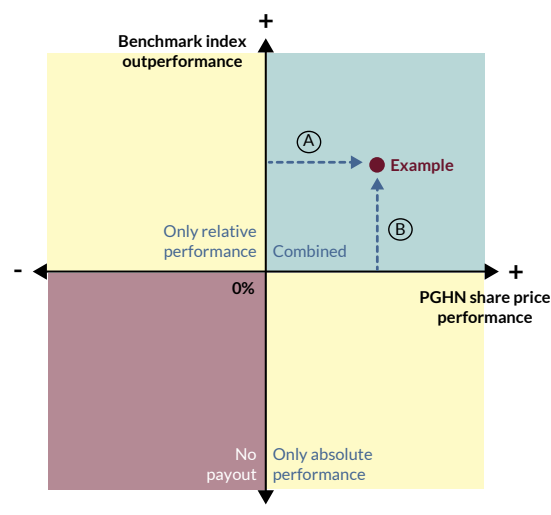
(B) Outperformance against benchmark (50% of grant value)

Index:	S&P Listed Private Equity Index
Ticker (BB):	SPLPEQTY
Performance:	total return outperformance
Valuation date:	5 years after grant
Intrinsic value:	difference between the total return of PGHN shares between 2017 and 2022 vs. total return of index during the same period multiplied by the share price at grant

Exhibit 8 illustrates how the intrinsic value of the share component of the MPP rights is determined. It depends on both the absolute share price performance and outperformance over a benchmark index. Plan participants will not receive any payout in the event of negative stock price performance combined with underperformance against the benchmark.

In contrast, their MPP rights will increase in value if both performance criteria are met, i.e. the share price performs in absolute terms ("A" in Exhibit 8) and outperforms against the benchmark index ("B" in Exhibit 8). Should only one of the two performance criteria be met, the intrinsic value of the MPP rights will be lower.

Exhibit 8: Illustration of the different scenarios that determine the intrinsic value of MPP rights



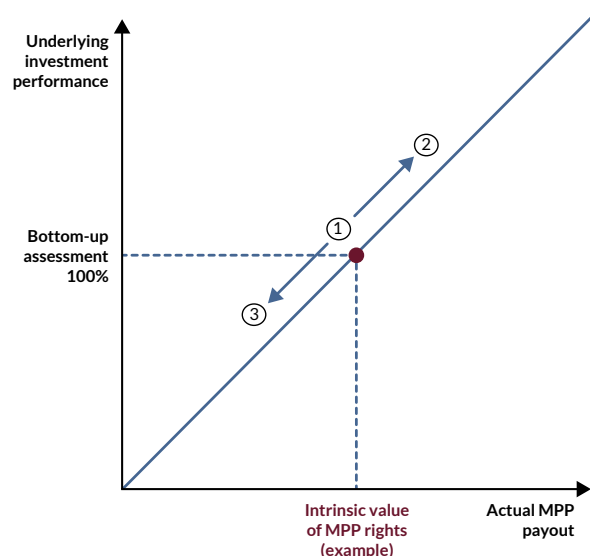
Component 2: performance fee development (year 5 to 14)

While component 1 focuses on the absolute and relative share price development in order to determine an intrinsic value, component 2 focuses entirely on how the intrinsic value of MPP rights after five years will be paid out in the following years (in the form of restricted Partners Group shares). In other words, component 2 sets the framework for the magnitude and timing of the payout. Both magnitude and timing are dependent on the actual performance fees generated for the firm from the particular year in which MPP rights were granted.

- Magnitude:** the firm assesses the total performance fee potential generated during the respective investment year based on a bottom up analysis. The nominal amount of this performance fee potential is indicated as 100% and represents the performance target that should be achieved over the entire timeframe of the MPP grant ("1" in Exhibit 9). For example, if the intrinsic value of MPP rights is 100 and 100% of the expected performance fees are actually paid to the firm, the plan participant receives Partners Group shares in the value of 100. The total payout can be higher than the originally expected nominal amount in the case of consistent investment performance above underlying assumptions ("2" in Exhibit 9), or lower than the originally anticipated nominal amount in the case of lower investment performance ("3" in Exhibit 9). In the worst case scenario, the amount can be zero, irrespective of the intrinsic value determined through component 1.

Compensation Report

Exhibit 9: Illustration of actual MPP payout based on underlying investment performance

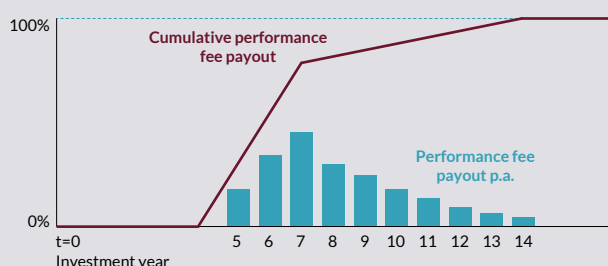


Illustrative example: performance fee payout structure of the 2017 investment year

Future potential performance fees will depend on investments made between Q4 2016 and Q3 2017 ("2017 investment year"). Once profitable investments have been realized, cash is first distributed to the investors in our investment programs.

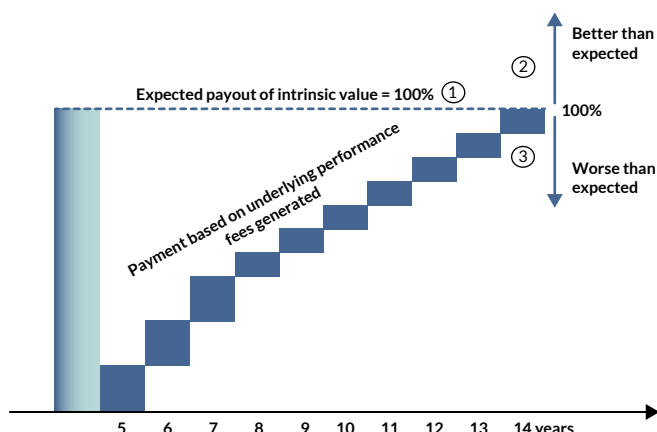
Only once the hurdle rate agreed with the firm's clients has been cleared (i.e. the client has already achieved a certain predefined minimum return, typically 8% p.a.), will a part of the investment profits be distributed to the firm (in the form of performance fees) and to the employees of the firm (as part of their long term incentives) as illustrated in Exhibit 4. Depending on the investment outcomes and timing of the investment realizations, it often takes up to 14 years until the full payout of performance fees is received, as illustrated in Exhibit 10.

Exhibit 10: Possible payout pattern of performance fees under MPP



- Timing:** the MPP payout occurs as the performance fees of the underlying investment programs materialize as illustrated in Exhibit 11. We annually compare the *actual* proportion of performance fees received against the *expected* proportion of performance fees. We then pay out the same proportion of the intrinsic value of the MPP grant in the form of restricted shares. For example, should the 2017 investment year pay out 15% of its anticipated total payout (100%) in 2022, we would pay out 15% of the intrinsic value of MPP rights determined in component 1 to plan participants in the form of Partners Group shares in 2022.

Exhibit 11: Illustration of actual MPP payout based on underlying investment performance



Vesting parameters

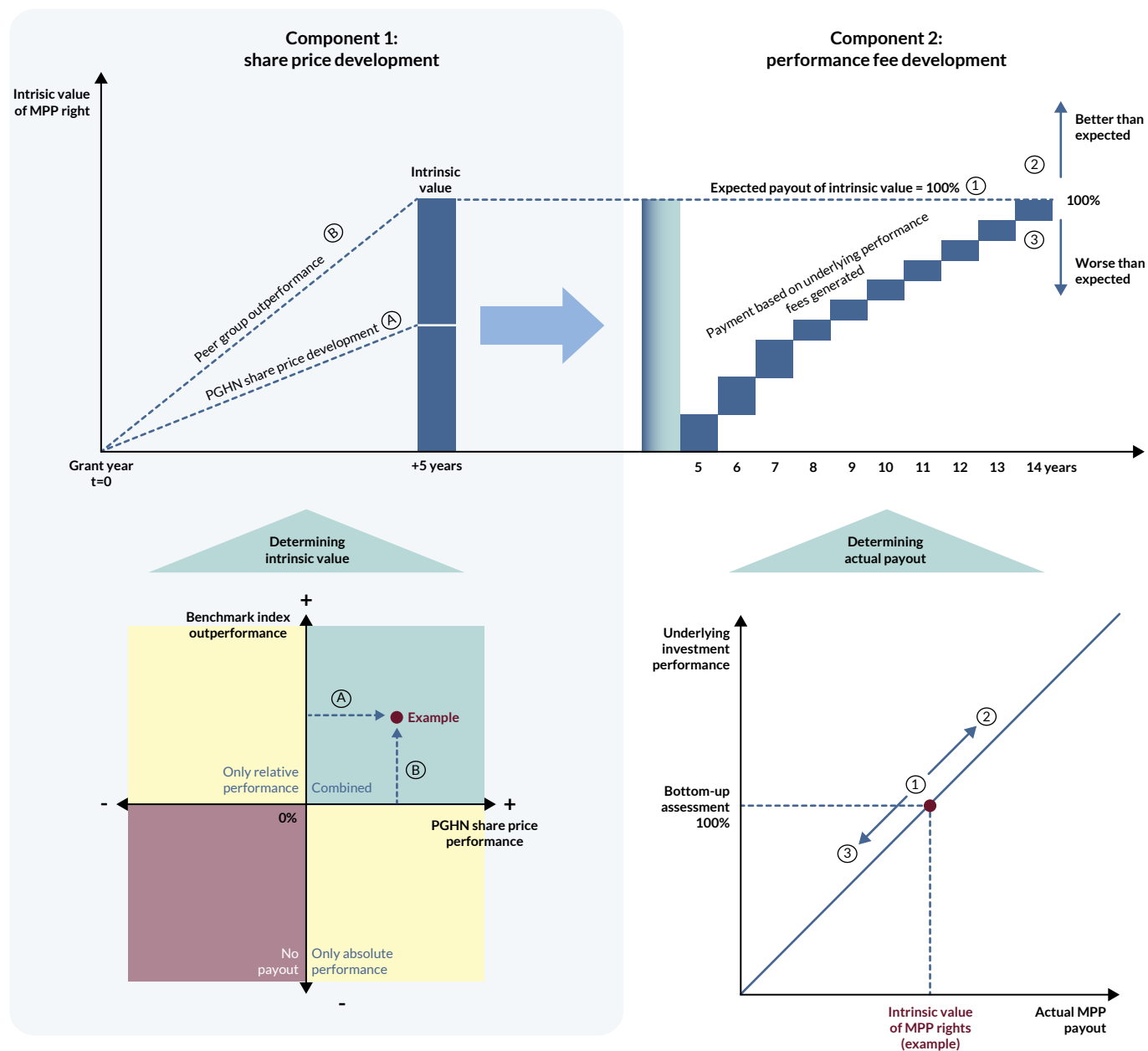
The MPP grants vest linearly over a period of five years. For members of the Executive Committee and non-independent members of the Board of Directors, the linear vesting is subject to a minimum five-year tenure in the respective committee. Before that, it has a five-year cliff vesting attached. Any holder of unvested MPP rights leaving the Group has the obligation to render his or her unvested interest back to the company. The plan thereby encourages employees to remain with the firm over the long term.

In summary, Exhibit 12 illustrates the two components and stringent performance conditions that have to be fulfilled over the medium to long term so that plan participants can receive their MPP payout in the form of shares. Any share settlement is followed by a two-year selling restriction.

Further information on Partners Group's share-based payment plan can be found in section 4 of the notes to the consolidated financial statements included in the 2017 Annual Report.

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Exhibit 12: Overview of MPP components and different scenarios that determine MPP payout



Compensation Report

2.3. Vesting rules in case of retirement

The vesting parameters of the firm's LTIs are rather stringent and long-term focused, even compared to industry peers. While any holder of unvested LTIs who leaves the firm has the obligation to render his or her unvested interests back to the firm, there are special vesting rules in the case an employee is coming up to retirement.

Given that the firm aims to foster a performance-oriented work environment, senior employees of the firm receive the majority of their compensation in LTIs with long vesting periods. This also holds true for employees nearing their retirement. This can result in senior employees entering their retirement with a meaningful portion of unvested LTIs.

In order to ensure that senior employees continue to contribute to the firm's success until their retirement, the Nomination & Compensation Committee has established special vesting rules for senior employees heading towards their retirement.

At the time of retirement, all LTIs shall be deemed to have fully vested and become unrestricted, provided that the employee:

- has reached the age of 60 and has served the firm for ten years or more; or
- has reached the age of 55 and has served the firm for ten years or more as a Managing Director/Partner

The vesting relief is subject to the following conditions: the employee is considered a good leaver, agrees to sign a two-year non-compete agreement and will have no new principal employment in the private markets industry.

The vesting mechanism also holds true for Board members from the age of 60 who were on the Board for a minimum of five years.

The Nomination & Compensation Committee may use its discretion to make further adjustments to the rules outlined above on a case-by-case basis in order to achieve the best result for both the business and the employee coming up to retirement.

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

Partners Group's compensation system is designed to recognize individual performance. Once group-level objectives 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 goals provides an overall rating and serves as an input for the nomination and compensation review at year-end.

Partners Group cascades group- and department-level targets down to individuals through its Personal Planning Process (PPP). Individual development is evaluated qualitatively through the firm's Personal Development Process (PDP), a 360° feedback program.

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. Group-level goals are set in December and broken down into departmental goals, team goals and individual goals in January the following year. 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 place particular emphasis on leadership capabilities within the firm's senior management team, in line with the firm's Charter.

Performance Summary

The Performance Summary evaluates individual performance based on the PPP and PDP and assesses an individual according to the dimensions listed in Exhibit 13. Each individual is rated from (4) to (1) according to his/her performance in each field, with each rating representing the following: (4) overachieved goals, (3) achieved goals, (2) achieved part of the goals and (1) underperformed.

Exhibit 13: Performance evaluation

What we value	Observed behavior
Productivity/output	Fulfilment of quantitative and qualitative goals
Quality of work	Accuracy; best practice work quality
Collaboration	Measurements of special efforts and accomplishments in the team; contribution to supporting other businesses
Corporate matters	Compliance & other corporate matters

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 systematic manner. Senior management applies an appropriate degree of discretion according to

Compensation Report

a “judgment supersedes” philosophy where warranted. This discretion considers factors which may not have been sufficiently reflected by the Performance Summary (e.g. operational or business impact achieved through special assignments).

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.

3.3. Measuring company and executive performance

Each professional at Partners Group will be measured against his or her Performance Summary sheet (Exhibit 13). The Co-CEOs’ performance is assessed in detail by the Nomination &

Compensation Committee based on the same principle and taking into account the degree to which group- and department-level objectives have been achieved, as shown in Exhibit 14.

For the performance assessment of the Co-CEOs as well as the Chief Operating Officer (COO), the firm places a stronger weighting on group-level objectives than on department-level objectives. Clear responsibilities for department-level objectives are delegated to respective department heads and other Executive Committee members.

The rating obtained is not intended to be applied in a mechanical manner. The Nomination & Compensation Committee can exercise its judgment and apply an appropriate degree of discretion, considering factors and achievements which may not be reflected in the overarching Group performance assessment measures.

A detailed description of Executive Committee compensation in 2017 is provided in section 5.

Exhibit 14: Group- and department-level objectives

Group level	Focus	Objectives
Investment platform (Raise; invest; create value; realize)	Co-CEOs/ COO	<ul style="list-style-type: none"> • Achieve sustainable growth of investment capacity • Create long-term value in portfolio assets • Generate attractive returns for clients • Ensure sufficient commitment capacity from clients
Financials (EBITDA development; EBITDA margin; recurring revenue margin; return on equity)		<ul style="list-style-type: none"> • Focus on sustainable growth in EBITDA • Maintain EBITDA margin target • Maintain recurring revenue margin • Achieve return on equity target
Partners Group Charter & strategy		<ul style="list-style-type: none"> • Foster an entrepreneurial partnership culture as described in the Charter • Develop talented individuals who are committed to our purpose • Successfully implement key strategic initiatives
Department level	Focus	Objectives
Investments	Business Department Heads	<ul style="list-style-type: none"> • Achieve asset class-specific investment goals • Meet asset class-specific return targets
Clients		<ul style="list-style-type: none"> • Extend client coverage (regional and type of investors) • Achieve fundraising goals (mandates, flagship programs and strategic partnerships)
Services		<ul style="list-style-type: none"> • Provide best-in-class client servicing • Contribute to our PRIMERA* platform to the benefit of investments, clients & employees

*PRIMERA is our proprietary private markets database.

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).

The revised long-term compensation structure for the Board and Executive Committee will require the Nomination & Compensation Committee to prepare a new proposal for the separate binding votes on the 2017 and 2018 compensation that will be held at our AGM in 2018 (for Executive Committee proposals see section 5.8. and for Board proposals 6.9.).

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 and nomination 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 2017, the members of the Nomination & Compensation Committee were Grace del Rosario-Castaño (Chair), Steffen Meister and Dr. Peter Wuffli. According to the independence 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. All members were elected by shareholders for a one-year term with the possibility of re-election.

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4.4. Committee meetings held in 2017

Throughout the year, members of the Nomination & Compensation Committee interact with the Co-CEOs and other members of the Executive Committee on a regular basis. In 2017, different formal and informal meetings were held with a wide group of the firm's senior leaders to discuss compensation budgets, department bonus allocation plans, promotion criteria and other compensation-related topics.

Typically, the Nomination & Compensation Committee holds three formal meetings a year in which final decisions are made on these topics:

- In its first formal meeting (Q1), the Nomination & Compensation Committee sets the framework for the year's overall compensation planning. During the meeting, the committee elaborates, shapes and decides the overall financial budget and compensation process for the current year.
- In its second formal meeting (Q3), the Nomination & Compensation Committee confirms the budget allocations for base and variable compensation components (EPP, MIP and MPP). During the meeting, the committee defines guidelines for the allocation of these plans to departments.
- In its third formal meeting (Q4), the Nomination & Compensation Committee approves the compensation proposal for the Executive Committee and Global Executive Board members and proposes the compensation for the Co-CEOs and Board members. Compensation authorities are outlined in Exhibit 15. Partner- and Managing Director-level promotions and compensation are ratified individually.

Exhibit 15: Approval authorities

Budgeting authorities	Proposal	Approval
Board of Directors, Executive Committee (cash, EPP, MIP, MPP)	NCC	Shareholders' AGM
Group-level budget (cash, EPP, MIP, MPP)		Board of Directors ratifies
Department-level allocation (cash, EPP, MIP, MPP)	Delegate and Co-CEOs	NCC approves
Compensation authorities	Proposal	Approval
Chairman of the Board of Directors	Chair of the NCC	Board of Directors approves
Members of the Board of Directors	NCC	
Co-CEOs		
Executive Committee, Global Executive Board	Delegate and Co-CEOs	NCC approves, Board of Directors ratifies
Partners & Managing Directors	Executive Committee	
Other professionals	Business Unit Heads	Executive Committee

Compensation Report

5. 2017 Executive Committee compensation

5.1. Governance

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, reviewed by the Nomination & Compensation Committee and ratified by the Board. The Co-CEOs' compensation is proposed by the Nomination & Compensation Committee and ratified by the Board. All proposals relating to the compensation of the Executive Committee are subject to the approval of shareholders at the AGM.

5.2. Performance assessment 2017

The Nomination & Compensation Committee reviewed the 2017 performance targets of the Co-CEOs and other Executive Committee members against their individual 2017 group- and department-level objectives.

The weighting attributed to the performance of the firm, business division achievements and functional performance indicators varies depending on an Executive Committee member's role within the firm. The degree to which an individual has achieved his or her group-level objectives, coupled with an assessment of performance against department-level objectives, provides an overall performance rating (a detailed description of the individual performance assessment is given in section 3).

Exhibit 16: Group- and department-level performance indicators and assessment against 2017 targets

Group level	Focus	Results	Assessment against targets		
			Lower	Plan	Higher
Investment platform					
Raise		• EUR 13.3 billion (target: EUR 10-12 billion)			
Invest		• USD 13.3 billion; targeted investment returns maintained			
Create value		• Continued value creation in private equity: +20% revenue and + 18% EBITDA growth*			
Realize		• CHF 372 million in performance fees; increase compared to 2016 (CHF 294 million)			
Financials					
EBITDA development		• +37%; stronger than revenue development			
EBITDA margin		• 66%; ~60% target EBITDA margin			
Recurring revenue margin		• 1.17%; in-line with our long-term average			
Return on equity		• 43%; goal of ~35% ROE			
Culture					
Partners Group Charter & strategy		<ul style="list-style-type: none"> • Fostered a culture of compliance with our policies and directives • Development, retention and succession plans for key talents in place and progressing according to plan • Successful strategic positioning and completion of four flagship funds and of senior debt (CLOs) programs 			
Department level					
Department level	Focus	Main achievements	Assessment against targets		
			Lower	Plan	Higher
Investments		<ul style="list-style-type: none"> • Maintained a disciplined approach to investment • Underwrote transactions at pre-defined return targets 			
Clients		<ul style="list-style-type: none"> • Further developed brand awareness and brand excellence • Continued to cater to clients' interests by establishing new innovative products 			
Services		<ul style="list-style-type: none"> • Delivered state-of-the-art service catalogue • Increased scale of our PRIMERA** platform • Ensured error-free operations and enabled cross-departmental collaboration 			

* Value creation in 2017 across all active non-listed private equity direct investments acquired before 31 December 2016

** PRIMERA is our proprietary private markets database.

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This sets the framework within which the Nomination & Compensation Committee can exercise its judgment for Executive Committee members' annual remuneration and ensures the latter are paid for performance.

Exhibit 16 provides an overview of the group- and department-level performance indicators and assessment against 2017 results and achievements for the Co-CEOs.

The 2017 performance highlights are briefly described below:

- strong gross client demand;
- solid performance fee development; and
- strong EBITDA increase.

Performance evaluation and compensation decisions for the Co-CEOs in 2017

The performance awards for the Co-CEOs and each member of the Executive Committee are outlined in Exhibit 20 and are based on the achievement of both quantitative and qualitative performance targets measured against their individual 2017 group- and department-level objectives.

These targets were set to reflect the strategic priorities determined by the Board of Directors, including the expansion of our investment platform, financial performance criteria, as well as a range of qualitative measures to assess the culture, quality and sustainability of our business.

The 2017 compensation (base salary, STIs and LTIs) is the same for both Co-CEOs and their targets are set and assessed jointly. In its recommendation to the Board regarding variable incentive compensation for the Co-CEOs, the Nomination & Compensation Committee considered their contribution to the firm's success in 2017.

For 2017, their **base salary** remained unchanged (2016/17: CHF 500 thousand). With the adjustments made to the global leadership team in H2 2017, the Executive Committee was reduced from twelve to seven members. While this allowed a greater number of senior professionals to focus on their important investment- and client-related responsibilities, it also increased the group-level responsibilities of the remaining Executive Committee members. In line with this increase of responsibility and the firm's approach of annually reviewing base salaries (see section 2.1.1.), the Nomination & Compensation Committee decided to increase the base salary of the Co-CEOs as of 2018.

The **cash bonus** of the Co-CEOs increased by CHF 400 thousand to CHF 1'000 thousand (2016: CHF 600 thousand) each, largely reflecting the positive development of the firm across a number of relevant indicators:

- gross client demand of EUR 13.3 billion in 2017 exceeded the communicated expected bandwidth of EUR 10-12 billion for the full year; this is 11% more than the upper end of the annual guidance and 68% more than in 2016;
- performance fees climbed by 26% to CHF 372 million (2016: CHF 294 million);
- EBITDA increased by 37% to CHF 825 million (2016: CHF 601 million).

The Nomination & Compensation Committee and the Board also acknowledged the strong qualitative performance of the Co-CEOs across several key areas including, among others:

- maintained a disciplined approach to investment; demonstrated a strong client focus;
- further enhanced the firm's reputation by building out its international platform;
- continued to foster a challenging, demanding and rewarding work environment for professionals (development, retention and succession plans for the firm's key professionals are in place and progressing according to the firm's expectations);
- ensured the successful strategic positioning of the firm and completion of four key flagship programs.

There was no **EPP/MIP grant** to the Co-CEOs in 2017.

The **MPP grant** for each Co-CEO amounted to CHF 2'323 thousand (2016: n/a). The MPP is a new share-based LTI and is explained in detail in section 2.2.3. Next to the performance of the Co-CEOs, its main driver is the firm's total amount invested throughout the year.

While Partners Group invested a record amount of USD 13.3 billion on behalf of its clients (2016: USD 11.7 billion) in 2017 and maintained a disciplined approach without compromising on expected investment returns, a shift in the investment mix towards higher volumes deployed in credit markets (which have a reduced potential to generate performance fees) has resulted in a lower overall performance fee pool in 2017 compared to 2016 (about one third lower).

The Nomination & Compensation Committee assessed the Co-CEOs' achievements in building out the firm's investment platform and capacity and concluded that their contribution was comparable to the previous year. In 2016, the Co-CEOs were

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allocated an estimated performance fee payment of CHF 5'912 thousand. This equaled 0.87% of the total estimated performance fee potential generated in 2016. For 2017, the Co-CEOs should therefore receive a similar proportion of the 2017 performance fee pool. As such, in 2017, on a like-for-like basis, assuming the Co-CEOs had the same share in the estimated performance fee potential generated in 2017, they would have received a lower absolute allocation than in 2016, amounting to around CHF 4'000 thousand (also about one third lower). In other words, the absolute amount of performance fees allocated decreased in line with the reduced performance fee potential generated during 2017 compared to the potential generated in 2016.

The Nomination & Compensation Committee used the like-for-like analysis as a benchmark and granted the abovementioned MPP rights as an equivalent incentive measure.

Highest paid Executive Committee member in 2017

The highest paid Executive Committee member in 2017 was David Layton, who became a member of the Executive Committee on 1 July 2017. For 2017, David Layton was awarded total STIs of CHF 1'261 thousand and total LTIs of CHF 3'580 thousand. In determining these awards, the Nomination & Compensation Committee took into account the significant contribution of David Layton to the firm in his roles as both Head Private Equity, currently Partners Group's largest asset class by AuM, and former Head of the Denver office, the firm's new US hub.

The Nomination & Compensation Committee recognized his instrumental role in building up the firm's private equity direct investment business in North America over the past years. In 2017, his contribution allowed the private equity team to further leverage the platform and pursue a number of attractive investment opportunities.

Performance evaluation and compensation decisions for the Executive Committee as a whole in 2017

The performance awards for the whole Executive Committee vary depending on the achievement of both quantitative and qualitative performance targets measured against members' individual 2017 group- and department-level objectives. While the Co-CEOs' targets are tilted towards group-level objectives, other members of the Executive Committee will be measured predominantly against their department-level objectives.

For 2017, the **base salary** of the Executive Committee remained largely unchanged. Similar to the increase in base compensation for the Co-CEOs as of 2018, the Nomination & Compensation Committee decided to increase the base

compensation of the remaining members of the Executive Committee due to their increased responsibility.

The **cash bonuses** of the Executive Committee generally increased with the positive development of the firm across a number of relevant indicators, such as strong gross client demand, record performance fees and an increased EBITDA.

There were select **EPP/MIP grants** to Executive Committee members in 2017.

The **MPP grant** to the Executive Committee amounted to CHF 13'729 thousand (2016: n/a) and followed the same principles as the grant to the Co-CEOs. The lower overall performance fee pool in 2017 compared to 2016 (about one third lower) was also reflected in the Nomination & Compensation Committee's aggregated allocation of MPP rights. While the assessment of the Executive Committee as a whole concluded that its 2017 performance was similar to the performance achieved in 2016, it received the same relative share in the estimated performance fees generated. This means that, on a like-for-like basis, the nominal allocation in 2017 was lower than in 2016. However, the Nomination & Compensation Committee assessed individual members and compensated them according to the relative achievement of their objectives.

The overview of the total compensation to the Executive Committee for 2017 and 2016 is provided in Exhibit 20 and 21.

5.3 Revising caps on variable compensation

In line with industry best practice, we maintained our approach to compensation caps and defined a new approach to compensation caps for the Co-CEOs and Executive Committee members. This was driven by the adjusted compensation structure for LTIs.

As of 2017, a cap applies to all variable compensation components valued at grant date. This includes bonus payments, the share-only Employee Participation Plan (EPP), the option-only Management Incentive Plan (MIP) and the Management Performance Plan (MPP).

As of 2017, the cap is also split into two parts, which each represent a multiple of the Executive Committee members' base compensation:

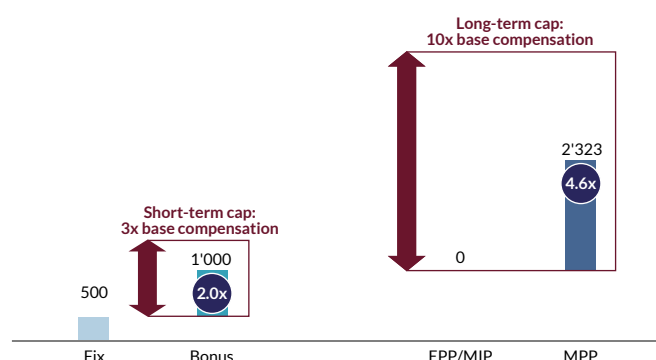
- firstly, **short-term variable compensation** components (cash bonus) should not exceed **3x** an executive's base compensation in a given year;
- secondly, the **long-term variable compensation** components (equity securities and MPP) should not exceed **10x** an executive's base compensation.

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These caps exclude other compensation such as pension benefits and social security payments.

The ratio of the Executive Committee members' short-term variable compensation components (cash bonus) compared to its base compensation ranged from 1.2x to 2.1x in 2017. The ratio of the Executive Committee members' long-term variable compensation components (EPP, MIP and MPP) compared to its base compensation ranged from 2.0x to 9.1x in 2017. These ratios exclude any other benefits (social security and pension contributions) and illustrate the varying compensation levels among individual Executive Committee members in line with Partners Group's performance evaluation outlined in section 3.

Exhibit 17: How caps affect the total compensation of the firm's Co-CEOs



The purpose of overweighting such LTIs is to ensure that the interests of executives are strongly geared towards creating sustainable value for the benefit of our shareholders and clients and to create a retention element for key professionals. We therefore link a significant portion of executive compensation to a positive and sustainable share price development and to the future performance fee potential created in a given year.

For instance, the compensation of the firm's Co-CEOs is strongly tilted towards such LTIs. The Co-CEOs earned 2x their base compensation in the form of STIs (cap = 3x) and 4.6x their base compensation in the form of LTIs (cap = 10x). The total compensation consideration of the Co-CEOs is in line with Partners Group's philosophy that the base salary of senior executives should represent only a minor part of total compensation.

5.4. Executive Committee members

As of 31 December 2017, Partners Group's Executive Committee consisted of seven members as outlined in Exhibit 18. Further details on the adjustments to its organizational structure and on Executive Committee members' professional

history and education, including other activities and functions, can be found in the Corporate Governance Report under section 4.

5.5. 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 2017, 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.

5.6. Employee contracts (audited)

Employee contracts have no special provisions such as severance payments, "golden parachutes", reduced stock and/or options and MPP 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 2016 and 2017.

5.7. 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 payout has been proven to conflict with applicable laws and regulations.

5.8. Executive Committee compensation proposals 2017, 2018 and 2019

In the past, we have requested two separate budgets from shareholders, a 'cash & equity securities' budget and one for 'performance-based entitlements' (i.e. MCP). With the revised LTIs for senior executives (i.e. MPP replaces MCP for this group), the cash and equity compensation has significantly increased because, as a share-based payment plan, MPP grants fall under this budget. As a result, the cash & equity compensation paid to the entire Executive Committee has not remained within the approved 2017 compensation budget.

The 2017 full-year cash and equity securities compensation amounted to CHF 30.7 million (2017 budget: CHF 15.3 million) for the entire Executive Committee, including former

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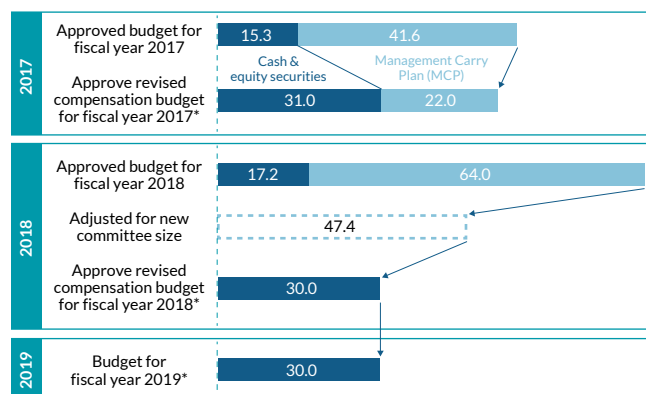
members. On the other hand, the 2017 full-year MCP grants (in their base case) decreased materially as only former Executive Committee members were awarded MCP. The MCP allocation amounted to CHF 13.8 million (2017 budget: CHF 41.6 million).

Based on the revisions mentioned above, the Board will ask shareholders for their approval of the following proposals:¹⁶

- 1. Approve revised 2017 compensation budget:** we intend to retrospectively shift compensation budgets and ask for approval of the revised compensation budget (including a buffer for MCP) for the 2017 fiscal year.
- 2. Approve revised 2018 compensation budget:** we intend to continue with the replacement of MCP with MPP and request a revised budget that also reflects this shift for the 2018 fiscal year.
- 3. Request a new 2019 budget:** we intend to prospectively request a new budget for the 2019 fiscal year.

¹⁶ The final proposals will be outlined in the invitation sent to shareholders for the AGM to be held on 9 May 2018.

Exhibit 19: Executive Committee AGM budgets (in CHF m)



*Budget amounts exclude social security payments.

Exhibit 18: Composition of the Executive Committee 2017 and functions of its members

Name	Joined Partners Group in	Nationality	Age	Position
André Frei	2000	Swiss	42	Co-Chief Executive Officer
Christoph Rubeli	1998	Swiss	56	Co-Chief Executive Officer
Claude Angéloz ¹⁾	2000	Swiss	50	Chairman of Private Real Estate ³⁾
Andreas Baumann ¹⁾	2003	Swiss	45	Head Integrated Investments
René Biner ¹⁾	1999	Swiss	47	Chairman Global Investment Committee ⁴⁾
Felix Haldner ¹⁾	2001	Swiss	54	Client Solutions ⁵⁾
Juri Jenkner ²⁾	2004	German	42	Head Private Infrastructure ⁶⁾
Andreas Knecht	2009	Swiss	48	Chief Operating Officer and General Counsel
David Layton ²⁾	2005	American	36	Head Private Equity ⁷⁾
Marlis Morin	2003	Swiss/Italian	47	Head Client Services
Stefan Näf ¹⁾	2000	Swiss	44	Head Client Solutions
Dr. Stephan Schälli ¹⁾	1999	Swiss	49	Chief Investment Officer ⁸⁾
Dr. Michael Studer	2001	Swiss	45	Chief Risk Officer and Head Portfolio Solutions
Dr. Cyrill Wipfli ¹⁾	2002	Swiss	44	Co-Head Portfolio Management ⁹⁾

¹⁾ Member until 30 June 2017.

²⁾ Member as of 1 July 2017.

³⁾ Head Private Real Estate until 30 June 2017.

⁴⁾ Co-Head Investments until 30 June 2017.

⁵⁾ Head Investment Structures until 30 June 2017.

⁶⁾ Co-Head Private Infrastructure until 30 June 2017.

⁷⁾ Co-Head Private Equity until 30 June 2017.

⁸⁾ Co-Head Private Equity until 30 June 2017.

⁹⁾ Chief Financial Officer until 30 June 2017.

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Exhibit 20: Executive Committee compensation for the full-year 2017 (audited)

In thousands of Swiss francs								2017
	Base compensation (cash)	Other compensation ¹⁾	Subtotal fixed compensation	Variable compensation (cash bonus)	EPP/MIP	MPP ²⁾	MCP ⁵⁾	Total ³⁾
André Frei, Co-Chief Executive Officer	500	133	633	1'000	-	2'323	-	3'956
Christoph Rubeli, Co-Chief Executive Officer	500	132	632	1'000	-	2'323	-	3'955
David Layton, Head Private Equity	394	30	424	837	200	3'380	-	4'840
Total Executive Committee	2'894	712	3'606	5'137	900	13'729	-	23'372
Former members of the Executive Committee⁴⁾	2'956	656	3'612	3'215	450	-	13'782	21'059
Total Executive Committee incl. former members	5'849	1'368	7'217	8'352	1'351	13'729	13'782	44'431

¹⁾ Other compensation includes payments by Partners Group for pension and other benefits.

²⁾ Fair value of Management Performance Plan (MPP) as outlined in section 2.2.3.

³⁾ Figures above exclude discounted fees for investments made alongside investors in Partners Group's open-ended investment programs under the firm's Employee Investment Program (EIP). Including these accrued but not yet paid items the total compensation for the entire Executive Committee amounts to CHF 44'445 thousand, including CHF 13 thousand for EIP. There is no change to the total compensation of André Frei, Christoph Rubeli, and David Layton.

⁴⁾ Members of the Executive Committee until 30 June 2017.

⁵⁾ 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 2017. For the table above, for each 1% of carry pool allocation the Group assumed an expected payout range from CHF 0 to CHF 6'822 thousand and used CHF 4'548 thousand as a base scenario for illustrative purposes. Amounts disclosed use average daily foreign exchange rates (i.e. CHF/USD).

Exhibit 21: Executive Committee compensation for the full-year 2016 (audited)

In thousands of Swiss francs								2016
	Base compensation (cash)	Other compensation ¹⁾	Subtotal fixed compensation	Variable compensation (cash bonus)	EPP/MIP		MCP ²⁾	Total ³⁾
André Frei, Co-Chief Executive Officer	500	104	604	600	0		5'912	7'116
Christoph Rubeli, Co-Chief Executive Officer	500	57	557	600	0		5'912	7'069
Total Executive Committee	4'994	969	5'963	5'295	401		43'846	55'505

¹⁾ Other compensation includes payments by Partners Group for pension and other benefits.

²⁾ 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 2016. For the table above, for each 1% of carry pool allocation the Group assumed an expected payout range from CHF 0 to CHF 10'215 thousand and used CHF 6'810 thousand as a base scenario for illustrative purposes. Amounts disclosed use average daily foreign exchange rates (i.e. CHF/USD).

³⁾ Figures above exclude discounted fees for investments made alongside investors in Partners Group's open-ended investment programs under the firm's Employee Investment Program (EIP). Including these items the total compensation for the entire Executive Committee amounts to CHF 11'707 thousand, including CHF 49 thousand for EIP. Total compensation of individual Executive Committee members: André Frei, CHF 1'204 thousand (EIP: CHF 0); Christoph Rubeli, CHF 1'157 thousand (EIP: CHF 0). There were no such payments in 2015.

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6. 2017 Board compensation

The Board contains ten members, of whom six are classed as independent and four as non-independent. Non-independent members of the Board include three founding partners and a former CEO of the firm.

Each of the six independent Board members was carefully selected based on their prior experience and potential contribution to the business. All of the independent Board members play a very active role within the firm and all sit (or chair) at least one board sub-committee. Beyond their statutory duties and their supervisory and risk management tasks, these Board members contribute to Partners Group's growth and development by creating investment opportunities, networking with senior business leaders on behalf of the firm, working alongside client teams on business development and major client relationships, and actively contributing to the firm's corporate and cultural development.

The Board makes every effort to build a sustainable, entrepreneurial business over the long term for the benefit of its clients, employees and shareholders. It applies the same approach to the firm's governance as it does to the management of its portfolio companies and investments; it therefore values a long-term approach when it comes to individual board- and management-led value creation projects.

6.1. Governance

The Board is entrusted with deciding the ultimate strategy and direction of the company as well as with supervising the executive management. All members were elected by shareholders for a one-year tenure with the possibility of re-election.

The rules governing the compensation of members of the Board are set forth in the Articles of Association and in the rules of the organization. The annual compensation paid to members of the Board, including the Chairman, is approved by the Board, based on the recommendation of the Nomination & Compensation Committee for the period from the current AGM to the following year's AGM.

The total aggregate amount of Board compensation is subject to approval by the shareholders pursuant to the Compensation Ordinance ("OaEC"). In the case of approving the Chairman's compensation and the additional fees for the Nomination and Compensation committee members, the Board member concerned does not participate in the recommendation involving his or her own compensation.

6.2. Changes made to the 2017 Board compensation

In 2017, we revised the compensation structure for members of the Board of Directors. In line with recognized best practices, independent directors have a different compensation structure compared to non-independent directors and members of the Executive Committee.

Independent directors will therefore not be able to participate in the MPP. Instead, their compensation is provided through a combination of cash and equity. On the other hand, non-independent Board members do participate in the MPP, given their active contribution and involvement in the firm's strategic initiatives.

A detailed overview of the individual compensation components of all members of the Board in 2017 and 2016 is outlined in Exhibits 25 and 26.

6.3. Compensation framework

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. It therefore introduced a Board compensation structure to provide shareholders with transparency. Exhibit 22 below outlines this structure.

Exhibit 22: Board compensation structure

Board membership functions	Cash & equity securities (in CHF thousand)
Non-independent member	300 (excl. LTIs)
Independent member	100
Chairing of the Board	+150
Chairing of a Board committee	+50
Additional contribution to the firm	+>200

All independent Board members receive a fixed base fee of CHF 100 thousand per annum for their formal Board work. In addition to their fixed base fee, independent Board members receive CHF 50 thousand for each Board committee they chair.

Additional contributions by Board members are compensated separately depending on the impact a Board member's more active role and increased responsibility has on the firm's business. This additional compensation element is a reflection of the Board culture at Partners Group, where the Board is actively involved in the firm's ongoing business activities. The Nomination & Compensation Committee rewards Board members' contribution beyond their formal roles if this requires a significant amount of their time.

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It is at the full discretion of the Nomination & Compensation Committee whether or not it compensates individual members of the Board in either cash or equity securities.

6.4. Chairman of the Board

The Chairman's role at Partners Group requires a substantial commitment with regards to time and involvement. Under the leadership of the Chairman, **Dr. Peter Wuffli**, the Board determines, among other things, the strategy of the firm and exercises ultimate supervision over management. The Chairman coordinates the Board's activities, works with committee chairwomen/chairmen to coordinate the tasks of the committees and drives the Board agenda on key topics such as strategy development, corporate culture, succession planning and the structure and organization of Partners Group. The Chairman further conducts shareholder meetings and takes an active role in representing the firm vis-à-vis regulators and supervisors, key shareholders, investors, and other external stakeholders.

The Chairman is paid an annual base Board fee of CHF 250 thousand (CHF 100 thousand + CHF 150 thousand as illustrated in Exhibit 22) and a fee of CHF 50 thousand for chairing the Strategy Committee. In addition to his formal role as Chairman, he received CHF 200 thousand for his active role in the firm's ongoing business activities. This brings the total compensation of the Chairman of Partners Group to CHF 500 thousand (excluding benefits), which is paid either in cash or equity instruments delivered in one installment in the current board period (see Exhibit 22). No MPP was granted.

6.5. Non-independent members of the Board

There are four non-independent members of the Board representing significant shareholders of the firm. Combined, these four members hold over 30% of the firm's share capital. Three of them are founding partners and one is the former CEO of the firm. These members dedicate a substantial amount of their time to the firm and play an instrumental role in determining the company's growth strategy, building out Partners Group's investment capacity and driving forward major client relationships.

Dr. Marcel Erni, **Alfred Gantner** and **Urs Wietlisbach** are all founding partners. They are each rewarded with a cash compensation of CHF 300 thousand (2016: CHF 300 thousand) and an MPP award of CHF 634 thousand. **Steffen Meister** also received a cash compensation of CHF 300 thousand (2016: CHF 300 thousand) and an MPP award amounting to CHF 951 thousand.

With regards to the MPP, the methodology used to grant MPP rights is similar to that used for the Executive Committee. Given that the overall performance fee pool in 2017 is about one third lower compared to 2016, non-independent Board members were also awarded a lower grant, in line with the decrease of the performance fee pool.

6.6. Independent members of the Board

Select independent Board members may receive higher annual compensation should they assume additional tasks and responsibilities, such as chairing a Board committee, or taking a more active role in the firm's ongoing business activities.

The independent Board members who focus on their Board- and committee-related mandates at Partners Group are **Dr. Eric Strutz**, **Grace del Rosario-Castaño** and **Michelle Felman**. They are paid CHF 150 thousand per annum for their Board contribution (see Exhibit 22).

Dr. Charles Dallara devotes a significant amount of his time to Partners Group in order to drive forward the growth of the business. **Patrick Ward** also dedicates a significant amount of his time to the firm's strategic initiatives on the client relationship and corporate development side, next to his Board membership. Partners Group has benefitted significantly from their experience and network in the broader financial market and banking community. The Nomination & Compensation Committee therefore proposed the same remuneration for Dr. Charles Dallara as last year, which amounts to a total cash & equity security compensation of CHF 1'286 thousand (excluding benefits). The committee proposed to remunerate Patrick Ward for his efforts with total cash & equity security compensation of CHF 550 thousand (excluding benefits). Neither received any MPP.

6.7. 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 2017, no loans were outstanding to either current or former Board members or to a related party of a current or former Board member.

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6.8. 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 2016 and 2017.

6.9. Board compensation proposals 2017 and 2018

Similar to the Executive Committee, we have also requested two separate budgets from shareholders, a ‘cash & equity securities’ budget and one for ‘performance-based entitlements’ (i.e. MCP). With the revised LTIs for non-independent Board members (i.e. MPP replaces MCP for this group), the cash and equity compensation has significantly increased because, as a share-based payment plan, MPP grants fall under this budget. As a result, the cash & equity compensation paid to the Board of Directors has not remained within the approved 2017 compensation budget.

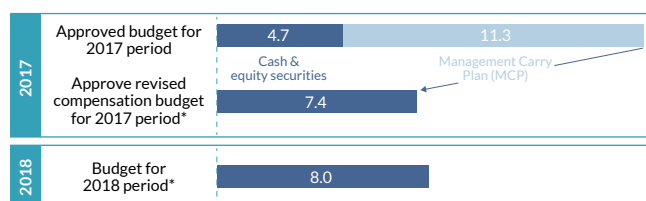
The 2017 full-year cash & equity securities compensation amounted to CHF 7.3 million (2017 budget: CHF 4.7 million) for the entire Board. On the other hand, there was no allocation of 2017 MCP (2017 budget: CHF 11.3 million).

Based on the revisions mentioned above, the Board will ask shareholders for their approval of the following proposals¹⁷:

- 1. Approve revised 2017 compensation budget:** we intend to retrospectively revise the compensation budget from the 2017 AGM to the 2018 AGM and ask for its approval.
- 2. Request a new 2018 budget:** we intend to prospectively request a budget from the 2018 AGM to the 2019 AGM.

¹⁷ The final proposals will be outlined in the invitation sent to shareholders for the AGM to be held on 9 May 2018.

Exhibit 24: Board AGM budgets (in CHF m)



*Budget amounts exclude social security payments.

Exhibit 23: Composition of the Board and functions of its members

Name	Director since	Nationality	Age	Committee membership ²⁾	Function
Dr. Peter Wuffli ¹⁾	2009	Swiss	60	SC, NCC, RAC	Chairman, Chair of the Strategy Committee
Dr. Charles Dallara ¹⁾	2013	American	69	MC	Vice Chairman, Chairman of the Americas
Dr. Marcel Erni	1997	Swiss	52	SC, IOC	Co-Founder, Executive Member of the Board
Michelle Felman ¹⁾	2016	American	55	IOC	Chair of the Investment Oversight Committee
Alfred Gantner	1997	Swiss	49	SC, RAC, IOC	Co-Founder, Executive Member of the Board
Steffen Meister	2013	Swiss	47	SC, NCC, MC	Delegate of the Board/President, Executive Member of the Board
Grace del Rosario-Castaño ¹⁾	2015	Filipina	54	NCC, IOC	Chair of the Nomination & Compensation Committee
Dr. Eric Strutz ¹⁾	2011	German	53	RAC	Chair of the Risk & Audit Committee
Patrick Ward ¹⁾	2013	British	64	MC	Chairman UK & Middle East
Urs Wietlisbach	1997	Swiss	56	MC, SC	Co-Founder, Chair of the Markets Committee, Executive Member of the Board

¹⁾ Independent Partners Group Board member in line with the independency criteria outlined in the Corporate Governance report in section 3.1.

²⁾ **SC:** Strategy Committee, **MC:** Markets Committee, **NCC:** Nomination & Compensation Committee, **RAC:** Risk & Audit Committee, **IOC:** Investment Oversight Committee
Detailed information on committees is provided in the Corporate Governance report in section 3.5.

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Exhibit 25: Board compensation for the full-year 2017 (audited)

In thousands of Swiss francs							2017
	Base compensa- tion (cash)	Other compensa- tion ¹⁾	Subtotal fixed compensa- tion	Variable compensa- tion (cash bonus)	EPP/ MIP	MPP ²⁾	Total ³⁾
Dr. Peter Wuffli, Chairman	150	10	160	-	350	-	510
Dr. Charles Dallara, Vice Chairman	492	29	521	394	400	-	1'315
Dr. Marcel Erni	300	49	349	-	-	634	982
Michelle Felman	75	6	81	-	75	-	156
Alfred Gantner	300	67	367	-	-	634	1'000
Steffen Meister	300	48	348	-	-	951	1'299
Grace del Rosario-Castaño	75	6	81	-	75	-	156
Dr. Eric Strutz	75	6	81	-	75	-	156
Patrick Ward	300	25	325	-	250	-	575
Urs Wietlisbach	300	54	354	-	-	634	988
Total Board of Directors	2'367	300	2'667	394	1'225	2'852	7'137

¹⁾ Other compensation includes payments by Partners Group for pension and other benefits.

²⁾ Fair value of Management Performance Plan (MPP) as outlined in section 2.2.3.

³⁾ Figures above exclude discounted fees for investments made alongside investors in Partners Group's open-ended investment programs under the firm's Employee Investment Program (EIP). Including these accrued but not yet paid items the total compensation for the entire Board of Directors amounts to CHF 7'319 thousand, including CHF 181 thousand for EIP. Total compensation of individual Board members: Dr. Marcel Erni, CHF 1'033 thousand (EIP: CHF 51 thousand); Alfred Gantner, CHF 1'009 thousand (EIP: CHF 8 thousand); Steffen Meister, CHF 1'303 thousand (EIP: CHF 4 thousand); Urs Wietlisbach, CHF 1'106 thousand (EIP: CHF 118 thousand).

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Exhibit 26: Board compensation for the full-year 2016 (audited)

In thousands of Swiss francs							2016
	Base compensation (cash)	Other compensation ¹⁾	Subtotal fixed compensation	Variable compensation (cash bonus)	EPP/ MIP	MCP ²⁾	Total ³⁾
Dr. Peter Wuffli, Chairman	150	11	161	0	100	985	1'246
Dr. Charles Dallara, Vice Chairman	493	37	530	394	400	-	1'324
Dr. Marcel Erni	300	52	352	0	0	2'217	2'568
Michelle Felman	100	12	112		100		212
Alfred Gantner	300	67	367	0	0	2'217	2'584
Steffen Meister	300	48	348	0	0	2'217	2'565
Grace del Rosario-Castaño	100	12	112		100	-	212
Dr. Eric Strutz	100	12	112		100	-	212
Patrick Ward	300	27	327	0	0	493	820
Urs Wietlisbach	300	61	361	0	0	2'217	2'578
Total Board of Directors	2'443	339	2'782	394	800	10'346	14'322

¹⁾ Other compensation includes payments by Partners Group for pension and other benefits.

²⁾ 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 2016. For the table above, for each 1% of carry pool allocation the Group assumed an expected payout range from CHF 0 to CHF 10'215 thousand and used CHF 6'810 thousand as a base scenario for illustrative purposes. Amounts disclosed use average daily foreign exchange rates (i.e. CHF/USD).

³⁾ Figures above exclude discounted fees for investments made alongside investors in Partners Group's open-ended investment programs under the firm's Employee Investment Program (EIP). Including these accrued but not yet paid items the total compensation for the entire Board of Directors amounts to CHF 4'256 thousand. Total compensation of individual Board members: Dr. Marcel Erni, CHF 399 thousand (EIP: CHF 47 thousand); Alfred Gantner, CHF 490 thousand (EIP: CHF 123 thousand); Steffen Meister, CHF 352 thousand (EIP: CHF 3 thousand); Urs Wietlisbach, CHF 465 thousand (EIP: CHF 104 thousand). There were no such payments in 2015.

Compensation Report



Statutory Auditor's Report

To the General Meeting of Partners Group Holding AG, Baar

Report on the Audit of the Compensation Report

We have audited the accompanying compensation report of Partners Group Holding AG for the year ended 31 December 2017. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in sections 5.5 to 5.6 and exhibits 20 to 21 on pages 139 and 141 as well as sections 6.7 to 6.8 and exhibits 25 and 26 on pages 143 to 146 of the compensation report.

Responsibility of the Board of Directors

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 compensation system and defining individual compensation 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 compensation 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 compensation, 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 2017 of Partners Group Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Thomas Dorst
Licensed Audit Expert
Auditor in Charge

Philipp Rickert
Licensed Audit Expert

Zurich, 7 March 2018

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

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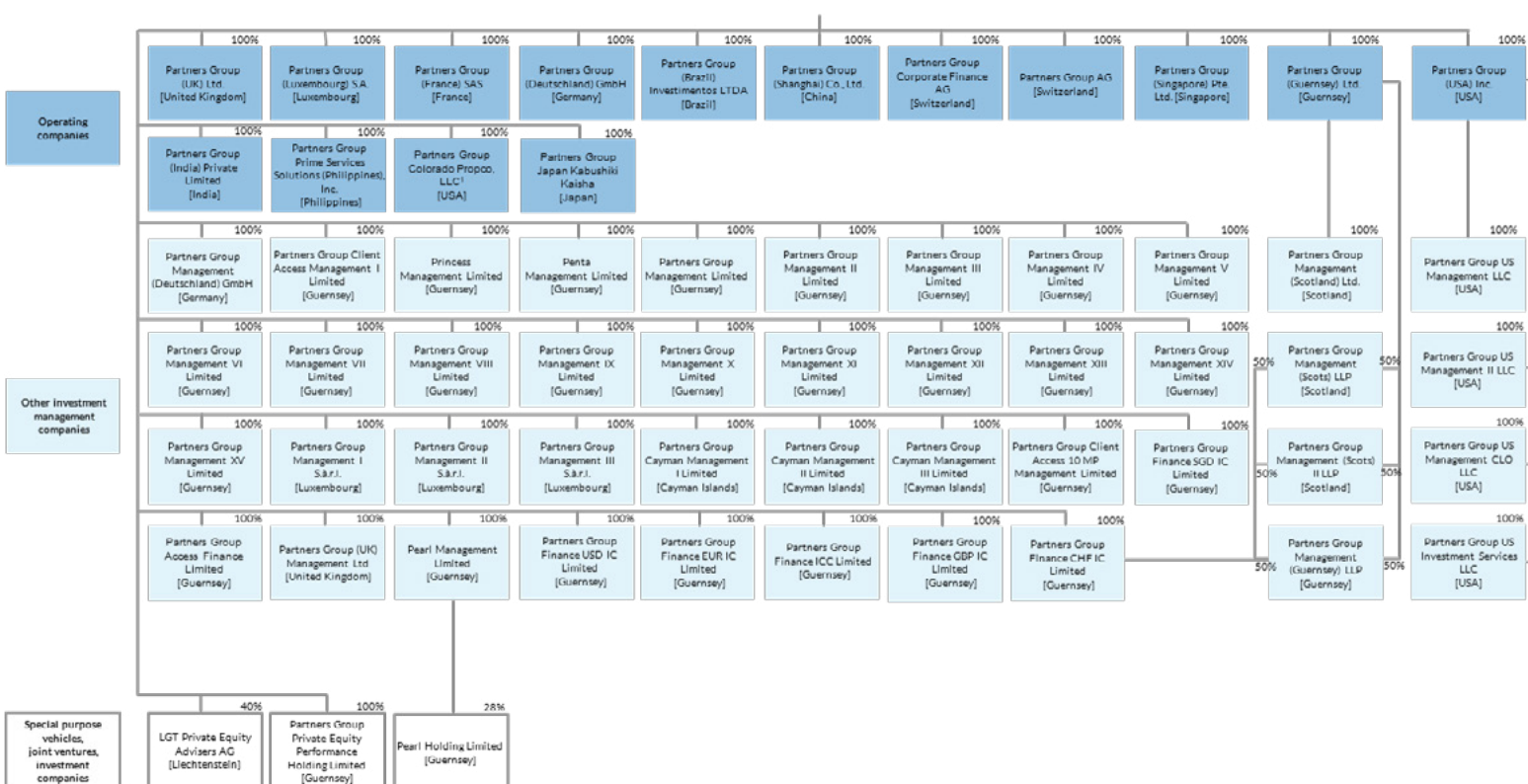
Corporate Governance Report

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), the Financial Conduct Authority (FCA) and the Monetary Authority of Singapore (MAS), 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.

Partners Group Holding AG
[Guernsey]



¹ Partners Group Colorado Propco, LLC was formed for the sole purpose of purchasing and owning land and property for Partners Group's permanent office in Colorado, USA. As of 28 February 2018. 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 States, the United Kingdom, Guernsey, Singapore and other jurisdictions. The chart on the previous page provides an overview of the group structure as of 28 February 2018.

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 International Reporting Standard on the SIX Swiss Exchange AG under the Valor number 2460882 and ISIN CH0024608827. The market capitalization of the company as of 31 December 2017 was CHF 17.8 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 section 6 of the notes to the financial statements of Partners Group Holding in the Annual Report 2017.

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 26 January 2018.

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 expired 180 days after the trade date on 31 May 2016 and comprised 17.67% of the total share capital (5.89% each). On 20 February 2017, the founding partners extended their existing derivative agreement concerning up to 4.1% of Partners Group's total share capital for each founding partner by another 0.9%. This transaction involves another collar that also expires on 17 June 2021.

On 26 January 2018, 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 4'234'651 shares, corresponding to 15.86% of the total share capital.

In addition, on 2 September 2017 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 1'639'500 shares, corresponding to 6.14% of the total share capital.

At year-end Partners Group Holding held 105'165 treasury shares, corresponding to 0.39% of the total share capital.

All disclosures according to art. 20 of the Stock Exchange Act (SESTA), including further details on the lock-up group and organized group referred to above can be found on the SIX Exchange Regulation homepage: 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 2017 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 section 4 of the notes to the consolidated financial statements in the Annual Report 2017 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. Preemptive 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.

Partners Group has disclosed all details of its option plan according to art. 20 SESTA on the SIX Exchange Regulation: 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. 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 issue a confirmation of such shareholder's holding.

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

Corporate Governance Report

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 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 2017.

2.7. Convertible bonds and options

Partners Group Holding currently has no convertible bonds outstanding.

On 7 June 2017, Partners Group issued its first corporate bond, raising CHF 300 million through a fixed-rate senior unsecured CHF-denominated issue. The bond was issued with a seven-year term and a coupon of 0.15% and matures on 7 June 2024. Please see section 13 of the notes to the consolidated financial statements in the Annual Report 2017 for comprehensive information on the bond issued by the firm. 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 section 4 of the notes to the consolidated financial statements in the Annual Report 2017 for comprehensive information on the share and option program of the firm.

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

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 2017, the Board of Directors consists of ten members. All members were elected by shareholders for a one-year tenure with the possibility of re-election.

Corporate Governance Report

3. Board of Directors

The table below shows the current composition of the Board of Directors:

Name	Member since	Nationality	Age	Committee membership ²⁾	Function
Dr. Peter Wuffli ¹⁾	2009	Swiss	60	SC, NCC, RAC	Chairman, Chair of the Strategy Committee
Dr. Charles Dallara ¹⁾	2013	American	69	MC	Vice Chairman, Chairman of the Americas
Dr. Marcel Erni	1997	Swiss	52	SC, IOC	Co-Founder, Executive Member of the Board
Michelle Felman ¹⁾	2016	American	55	IOC	Chair of the Investment Oversight Committee
Alfred Gantner	1997	Swiss	49	SC, RAC, IOC	Co-Founder, Executive Member of the Board
Steffen Meister	2013	Swiss	47	SC, NCC, MC	Delegate of the Board/President, Executive Member of the Board
Grace del Rosario-Castaño ¹⁾	2015	Filipina	54	NCC, IOC	Chair of the Nomination & Compensation Committee
Dr. Eric Strutz ¹⁾	2011	German	53	RAC	Chair of the Risk & Audit Committee
Patrick Ward ¹⁾	2013	British	64	MC	Chairman UK & Middle East
Urs Wietlisbach	1997	Swiss	56	MC, SC	Co-Founder, Chair of the Markets Committee, Executive Member of the Board

¹⁾ Independent Partners Group Board member in line with the independency criteria outlined in section 3.1.

²⁾ **SC:** Strategy Committee, **MC:** Markets Committee, **NCC:** Nomination & Compensation Committee, **RAC:** Risk & Audit Committee, **IOC:** Investment Oversight Committee
Detailed information on committees is provided in section 3.5.

3.1. Members of the Board of Directors

All members of the Board of Directors of Partners Group Holding AG are also members of the Board of Directors of Partners Group AG. Individual members of the Board of Directors of Partners Group Holding AG are also members of the Board of Directors of other operating entities of the firm such as the Group entities in the UK, US, Philippines and China.

The texts below provide information on the independence 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.

On 8 March 2018, Partners Group announced a rotation of responsibilities in its Board of Directors with the objective of transitioning Board leadership to the next generation, while ensuring continuity in strategy and focus. The Board will therefore propose Steffen Meister as its next Chairman at the Annual General Meeting of shareholders on 9 May 2018. Steffen Meister will succeed Peter Wuffli, who has been Chairman since 2014. Peter Wuffli will be proposed for reelection and appointment as Vice Chairman of the Board.

Independence statement for members of the Board

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 independence assess direct compensation received from the firm within a certain period of time or focus on the current employment status with the firm, whereby an

Corporate Governance Report

assessment that focuses more on substance also takes into account the specific circumstances, such as other functions performed for the firm, to determine independence. 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, Michelle Felman, 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 the independent Chairman of the Board of Directors of Partners Group Holding AG 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 Boards of the Lausanne business school IMD and Vice-Chairman of the Board of the Zurich Opera House. Dr. 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 has been a member of the MAS International Advisory Panel in Singapore, an advisory panel for Singapore's financial sector reforms and strategies. Dr. Peter Wuffli is furthermore a member of the Board of Trustees of PG Impact Investments Foundation. Neither Dr. Peter 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. Peter 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 independent Vice Chairman of Partners Group Holding AG's Board of Directors and Chairman of the Americas, based in New York. He has 42 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

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Ronald Reagan administrations: Assistant Secretary of the Treasury for International Affairs, Assistant Secretary of the Treasury for Policy Development and Senior Advisor for Policy 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, an honorary doctorate and a bachelor's degree in economics from the University of South Carolina, USA. He is a member of the Board of Directors of Scotia Bank and Scotia Holdings (US) Inc. and of the Middle East Investment Initiative and a director at large of the National Bureau of Economic Research (NBER). Neither Dr. Charles 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. Charles 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. In his current role, he is a member of Partners Group Holding AG's Board of Directors and the Investment Oversight Committee, which oversees the firm's Global Investment Committee. Dr. Marcel Erni is also a member of the

Board's Strategy Committee. He is a member of the Board of Directors of the firm's current portfolio company Global Blue SA, Switzerland. Previously, he served as the Chief Investment Officer of Partners Group until June 2017. Prior to founding Partners Group, he worked at Goldman Sachs & Co. and McKinsey & Co. He has 26 years of industry experience and holds an MBA from the University of Chicago Booth School of Business, Illinois and a PhD in finance and banking from the University of St. Gallen (HSG), Switzerland. He is also a member of the Boards of Directors of Castle Private Equity AG, Switzerland, and PG3 AG, Switzerland, the family office of the founders of Partners Group. Dr. Marcel Erni is based in Zug.



Michelle Felman

is an independent member of the Board of Directors of Partners Group Holding AG and Chairwoman of the Investment Oversight Committee. She has more than 27 years of experience in the real estate and investment business.

Michelle Felman is furthermore the

Founder of JAM Holdings, an investment and advisory firm. She holds a board position at Choice Properties, a listed retail REIT, and at Cummings Corporation, an international project and cost management firm. She also serves on the advisory board and investment committee for the Turner Impact Fund, an investment platform focused on social impact investing in education. From 1997 to 2010, Michelle Felman was Executive Vice President (EVP), Acquisitions and Capital Markets, at Vornado Realty Trust. Before joining Vornado, she was Managing Director, Global Business Development at GE Capital with responsibility for structuring and evaluating new markets and products globally (1994-1997). Prior to this, she spent three years in investment banking at Morgan Stanley. Michelle Felman earned her undergraduate degree in economics from the University of California in Berkeley and her MBA from Wharton Business School at the University of Pennsylvania. Neither Michelle 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. Michelle 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.



Alfred Gantner

co-founded Partners Group in 1996. In his current role, he is a member of Partners Group Holding AG's Board of Directors and of its Investment Oversight Committee, which oversees the firm's Global Investment Committee.

Alfred Gantner is also a member of the

Board's Strategy Committee and its Risk & Audit Committee. He leads a number of Partners Group's direct investments and is a member of the Boards of Directors of the firm's current and former portfolio companies Fermaca Luxembourg s.à.r.l., VAT Group AG, Switzerland and PCI Pharma Services, USA. Previously, Alfred Gantner served as Chief Executive Officer of Partners Group from 1996 to 2005 and subsequently as Executive Chairman from 2005 to 2014. He was also Chairman of Partners Group's Global Investment Committee until June

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2017. Prior to founding Partners Group, he worked at Goldman Sachs & Co. He has 26 years of industry experience and holds an MBA from the Brigham Young University Marriott School of Management in Utah, USA. He is also a member of the Boards of Directors of PG Impact Investments Foundation and PG3 AG, Switzerland, the family office of the founders of Partners Group. Alfred Gantner is based in Zug.



Steffen Meister

is an executive member of Partners Group Holding AG's Board of Directors and the Delegate of the Board of Directors/President, based in Zug. He has been with Partners Group since 2000, was the Chief Executive Officer from 2005 to 2013 and has 22 years of

industry experience. Steffen Meister is furthermore the Co-Founder and Chairman of the Board of Directors of Crossiety AG, a social media platform for local communities in Switzerland and a member of the Board of Directors of FAIRTIQ AG, a company providing advanced travel payment solutions for the public transport sector. 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 an independent member of the Board of Directors of Partners Group Holding AG and Chairwoman of the Nomination & Compensation Committee of the Board of Directors. Grace del Rosario-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, Grace del Rosario-Castaño was responsible for all markets in the Asia-Pacific region. In her early years at Johnson & Johnson, she worked for the Consumer Products Worldwide division in the United States. Prior to joining Johnson & Johnson, Grace del Rosario-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.



Dr. Eric Strutz

is an independent member of the Board of Directors of Partners Group Holding AG and Chairman of the Risk and Audit Committee. 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 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 is a member of the Board of Directors of HSBC Bank plc. and a member of the Supervisory Board as well as Chairman of the Risk and Audit Committees of HSBC Trinkaus & Burkhardt AG. Neither Dr. Eric 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. Eric 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.

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Patrick Ward

is an independent member of Partners Group Holding AG's Board of Directors and Chairman UK and Middle East, based in London. He has 38 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 Patrick 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. Patrick 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. In his current role, he is a member of Partners Group Holding AG's Board of Directors and Chairman of its Markets Committee, which oversees the firm's global client activities. Urs Wietlisbach is also a member of the Board's Strategy

Committee. He is a Board Observer of the Board of Directors of the firm's current portfolio company KR Group, UK. He is also a Board member of PG Impact Investments AG and of PG Impact Investments Foundation, a foundation that focuses on impact investing globally. In addition, he is a member of the Boards of Directors of Entrepreneur Partners AG, a Swiss asset manager, PG3 AG, Switzerland, the family office of the founders of Partners Group, and a member of the Board of Trustees of HSG Foundation, the foundation of the University of St. Gallen. He is also an advisory Board member of Swiss Startup Factory AG, an independent organization that supports and finances startups. Prior to founding Partners Group, he worked at Goldman Sachs & Co. and Credit Suisse. He has 29 years of industry experience and holds a master's degree in business administration from the University of St. Gallen (HSG), Switzerland. Urs Wietlisbach is based in Zug.

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

The ordinance against excessive compensation in listed joint stock companies ("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. 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. 25 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

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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 does not need to 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 2017, six meetings were held, which lasted between three 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.

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, the Markets Committee and the Investment Oversight 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 2017, 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 2017, which each lasted approximately two to four hours. In addition, the external auditors attended all meetings of the Risk & Audit Committee in 2017. The majority of the 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 2017, the members of the Nomination & Compensation Committee were Grace del Rosario-Castaño (Chair), Dr. Peter Wuffli and Steffen Meister. The Nomination & Compensation Committee held three meetings in 2017, 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. All committee members were present at all meetings.

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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 2017, the members of the Strategy Committee were Dr. Peter Wuffli (Chair), Dr. Marcel Erni, Alfred Gantner, Urs Wietlisbach and Steffen Meister. The Strategy Committee held six meetings in 2017, which each lasted approximately three to four hours. The majority of the meetings were attended by all members. Next to the members of the Board of Directors, the meetings of the Strategy Committee were also attended by relevant non-members of the Board of Directors who hold key functions or responsibilities within the firm.

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 2017, the members of the Markets Committee were Urs Wietlisbach (Chair), Dr. Charles Dallara, Patrick Ward and Steffen Meister. The Markets Committee held six meetings in 2017 which lasted approximately two hours each. The majority of the meetings were attended by all members. Next to the members of the Board of Directors, the meetings of the Markets Committee were also attended by relevant non-members of the Board of Directors who hold key functions or responsibilities within the firm.

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 Board retains the right to discuss any investment proposal in the Investment Oversight Committee and therefore it designated Dr. Marcel Erni and Alfred Gantner as voting members in the Global Investment Committee as of 1 January 2018. As of 31 December 2017, the members of the Investment Oversight Committee are Michelle Felman (Chair), Grace del

Rosario-Castaño, Dr. Marcel Erni and Alfred Gantner. The Investment Oversight Committee held two meetings in 2017, which lasted approximately two hours each. The majority of the committee members were present at all meetings. Next to the members of the Board of Directors, the meetings of the Investment Oversight Committee were also attended by relevant non-members of the Board of Directors who hold key functions or responsibilities within the firm.

Meeting attendance

The members of the Board are encouraged to attend all meetings of the Board and the committees on which they serve.

Meeting attendance

	BoD	RAC	NCC	SC	MC	IOC
Meetings held in 2017	6	4	3	6	6	2
Number of members who missed no meetings	6	2	3	3	3	2
Number of members who missed one meeting	3	1	0	1	0	2
Number of members who missed two or more meetings	1	0	0	1	1	0
Meeting attendance in %	92%	92%	100%	90%	88%	75%

BoD: Board of Directors, **RAC:** Risk & Audit Committee, **NCC:** Nomination & Compensation Committee, **SC:** Strategy Committee, **MC:** Markets Committee, **IOC:** Investment Oversight Committee

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

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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 to 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.

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, Co-Heads of Group Finance & Corporate Development ("Co-Heads GF&CD"), Chief Operating 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

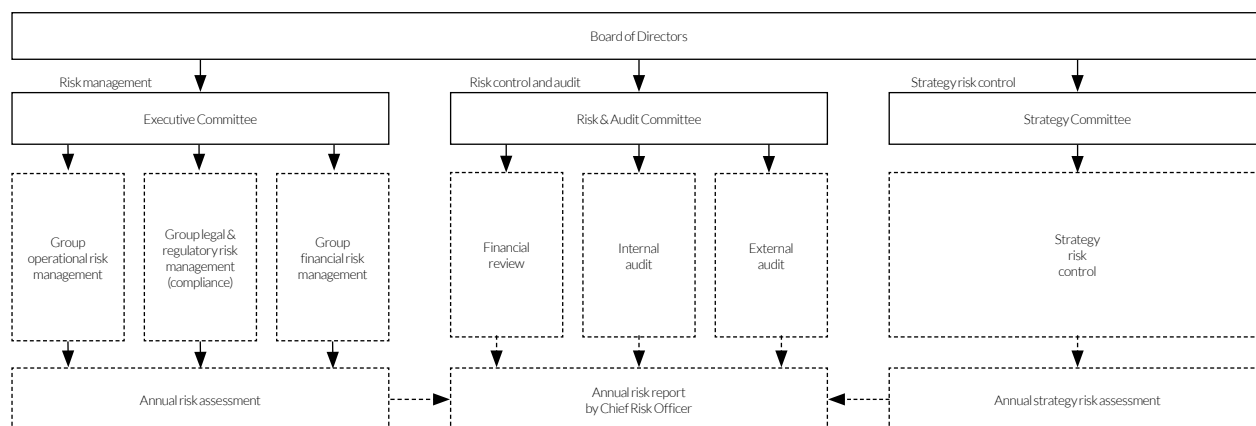
Partners Group identifies, assesses and monitors risks and controls risk management processes on an aggregate consolidated basis for all business activities across the organization. Partners Group's risk governance framework comprises the following elements:

- Risk management;
- Risk control and audit; and
- Strategy risk control.

Responsibilities for each element are separated as illustrated on the following page.

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Partners Group's risk governance framework



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:

- the group operational risk management;
- the group legal and regulatory risk management (compliance); and
- 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 is embedded in the operational activities of the business teams, with the core responsibility for the implementation, effectiveness and documentation of controls lying with the respective owners of Group Processes; (ii) oversight and monitoring of Group Processes is performed annually by the Department Heads as ensured and facilitated by the Head Operational Risk Management – a risk assessment is performed annually by the Chief Risk Officer, Chief Operating

Officer and the Head Operational Risk Management; and (iii) Group Internal Audit, as a business and operations independent function, 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 suitability of the design of the ICS as well as the operating effectiveness of the control activities related 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. In 2017, Partners Group has issued an ISAE 3402 Type II controls report with no qualification relating to its investment management services as of year-end 2016 and thereby confirming the operational effectiveness of the controls.

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:

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- the financial reviewing;
- the internal auditing; and
- 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 Executive Committee. 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 guide the Group Internal Audit 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 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.

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 relevant conflicts of interest within the group. 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).

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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 Co-Heads GF&CD. 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.
- **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.

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(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 Co-Heads GF&CD 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 Co-Heads GF&CD, based on a risk framework established by the CRO and Co-Heads GF&CD. 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.

3.7.2.4. Additional activities in relation to investment risk management for clients

Scope and elements

Partners Group identifies, assesses and monitors risks and controls risk management processes on an aggregate consolidated basis for all activities in relation to investment activities for clients.

Partners Group's investment risk governance framework comprises the following elements:

(a) Risk management in relation to single investments.

Responsibilities are highlighted below:

- Investment selection and allocation: Investment Committees,
- Investment monitoring: as applicable, Fund Review Committee, Operational Value Creation Committee and Investment Committees,
- Direct asset valuation: Valuation Committees.

Further details on the purpose and powers of the respective committees are highlighted in the relevant policies and directives.

(b) Risk management in relation to portfolio risk management.

Responsibilities are highlighted below:

- Assessment of macro and strategy risks: Relative Value Committees,
- Asset allocation and portfolio implementation: Global Portfolio Strategy Committee,
- Portfolio investment risks: Risk Consideration Group.

Further details on the purpose and powers of the respective committees are highlighted in the relevant policies and directives.

(c) Investment process oversight

Within the Board of Directors the responsibility to oversee processes in relation to investment activities for clients rests with the Investment Oversight Committee (IOC). The IOC provides i) advice and support to the Board in relation to investment risks incurred and ii) oversight of investment and value creation processes. The IOC monitors and improves the quality of the investment and decision-making process. It supports efforts to prevent severe setbacks to Partners Group's track record, develops a consensus on investment-related issues and risks and provides guidance to investment committees. In addition, the IOC monitors track record sensitivities and oversees the monitoring, value creation and board work performed on direct investments. The IOC's responsibilities are further defined in the Rules of the Organization and of Operations (ROO) for Partners Group Holding AG.

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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	42	Co-Chief Executive Officer
Christoph Rubeli	1998	Swiss	56	Co-Chief Executive Officer
Claude Angéloz ¹⁾	2000	Swiss	50	Chairman of Private Real Estate ³⁾
Andreas Baumann ¹⁾	2003	Swiss	45	Head Integrated Investments
René Biner ¹⁾	1999	Swiss	47	Chairman Global Investment Committee ⁴⁾
Felix Haldner ¹⁾	2001	Swiss	54	Client Solutions ⁵⁾
Juri Jenkner ²⁾	2004	German	42	Head Private Infrastructure ⁶⁾
Andreas Knecht	2009	Swiss	48	Chief Operating Officer and General Counsel
David Layton ²⁾	2005	American	36	Head Private Equity ⁷⁾
Marlis Morin	2003	Swiss/Italian	47	Head Client Services
Stefan Näf ¹⁾	2000	Swiss	44	Head Client Solutions ¹⁾
Dr. Stephan Schäli ¹⁾	1999	Swiss	49	Chief Investment Officer ⁸⁾
Dr. Michael Studer	2001	Swiss	45	Chief Risk Officer and Head Portfolio Solutions
Dr. Cyrill Wipfli ¹⁾	2002	Swiss	44	Co-Head Portfolio Management ⁹⁾

¹⁾ Member until 30 June 2017.

²⁾ Member as of 1 July 2017.

³⁾ Head Private Real Estate until 30 June 2017.

⁴⁾ Co-Head Investments until 30 June 2017.

⁵⁾ Head Investment Structures until 30 June 2017.

⁶⁾ Co-Head Private Infrastructure until 30 June 2017.

⁷⁾ Co-Head Private Equity until 30 June 2017.

⁸⁾ Co-Head Private Equity until 30 June 2017.

⁹⁾ Chief Financial Officer until 30 June 2017.

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 has been with Partners Group since 2000 and has 18 years of industry experience. Previously,

he served as the Chief Risk Officer 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.

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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 a member of the Global Investment Committee. He has been with Partners Group since

1998 and has 32 years of industry experience. Prior to joining Partners Group, he worked at UBS. He holds an MBA from INSEAD Paris, France.



Juri Jenkner

is Head of the Private Infrastructure business department, 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 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 18 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.



Andreas Knecht

is the Chief Operating Officer and General Counsel of Partners Group, based in Zug. He is Head of the Corporate Operations business department and Head of the Corporate Legal business unit. He is a member of the Executive Committee and the

Global Executive Board. He has been with Partners Group since 2009 and has 22 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 LL.M. from New York University. He is also admitted to the Swiss bar.



David Layton

is Head of the Private Equity business department and Head of the European Private Equity business unit, based in Denver. He is a member of the Executive Committee and the Global Executive Board. He is a member of the Global Investment Committee, the Private

Equity Directs Investment Committee and the Private Equity Integrated Investment Committee. Previously, he was the Head of Private Equity in the Americas. He has been with Partners Group since 2005 and has 15 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 in Utah, USA.



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 24 years of industry experience. Prior to joining Partners Group, she

worked at Credit Suisse Asset Management Funds, Raiffeisen Landesbank Südtirol 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.



Dr. Michael Studer

is the Chief Risk Officer of Partners Group and Head of the Portfolio Solutions business department, based in Zug. He is a member of the Executive Committee, the Global Executive Board and the Global Investment Committee.

He has been with Partners Group since 2001 and has 22 years of industry experience. He holds a PhD in mathematics from the Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland.

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Organizational changes to senior management

Effective from 1 July 2017, Partners Group implemented adjustments to its organizational structure that will support and enable the continued successful growth of its investment platform to the benefit of the firm's clients and shareholders. Partners Group reviews its organizational structure on an ongoing basis and has made these adjustments to allow a greater number of its senior partners to focus on their important investment- and client-related responsibilities, while ensuring continuity and stability in its core leadership team.

Dr. Stephan Schäli became the firm's Chief Investment Officer. He remains on the Global Executive Board and handed over his seat in the Executive Committee to David Layton, Head Private Equity, who is also a member of the Global Executive Board and the Global Investment Committee. Andreas Baumann, Head Integrated Investments, took on responsibility for the firm's private equity secondary and primary business. He has therefore left the Executive Committee. Juri Jenkner took on the role of Head Private Infrastructure and joined the Executive Committee. He is also a member of the Global Executive Board and the Global Investment Committee. Claude Angéloz left the Executive Committee to dedicate more of his time to the business development of the firm's real estate practice in his new role as Chairman of Private Real Estate. René Biner took on the role of Chairman of the Global Investment Committee. He has therefore left the Executive Committee and remains on the Global Executive Board. Dr. Cyrill Wipfli took on the role of Co-Head Portfolio Management and member of the Global Portfolio Committee. He therefore left the Executive Committee. The Group Finance & Corporate Development team, co-headed by Manuel Ottinger and Philip Sauer, has absorbed the Chief Financial Officer function and reports directly to Co-CEO André Frei. Due to their increased focus on client-related activities, Stefan Näf, Head Client Solutions, and Felix Haldner, responsible for strategic client development, have also left the Executive Committee.

4.2. Other activities and vested interests

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.

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. 25 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 ¹⁾	2007	American	54	Private Real Estate Americas ³⁾
Claude Angéloz ¹⁾	2000	Swiss	50	Chairman of Private Real Estate ⁴⁾
Andreas Baumann ¹⁾	2003	Swiss	45	Head Integrated Investments
Bill Berry ²⁾	2016	American	51	Head Private Debt
René Biner	1999	Swiss	47	Chairman Global Investment Committee ³⁾
Mike Bryant ²⁾	2016	British	50	Co-Head Private Real Estate
Scott Essex ¹⁾	2007	American	45	Head Private Debt Americas ⁴⁾
Gonzalo Fernandez Castro ¹⁾	2012	Argentine	44	Private Equity Americas
Felix Haldner ¹⁾	2001	Swiss	54	Client Solutions ⁷⁾
Adam Howarth ²⁾	2007	American	39	Head Portfolio Solutions Americas
Sergio Jovele	2005	Italian	48	Client Solutions Europe ⁸⁾
Dr. Kevin Lu	2014	Chinese	44	Chairman Asia and Head Client Solutions Asia
Stefan Näf	2000	Swiss	44	Head Client Solutions
Amelia Räss-Fernandez	2016	Swiss	51	Head Human Resources
Dr. Stephan Schäli	1999	Swiss	49	Chief Investment Officer ⁹⁾
Dr. Yves Schneller ²⁾	2008	Swiss	40	Head Investment Services
Dr. Raymond Schnidrig	2010	Swiss	49	Chief Technology Officer
Martin Scott	2008	Australian	44	Head Client Solutions Australia
Anthony Shontz ²⁾	2007	American	40	Co-Head Private Equity Integrated Investments Americas
Marc Weiss ²⁾	2007	American	52	Co-Head Private Real Estate
Dr. Cyrill Wipfli ¹⁾	2002	Swiss	44	Co-Head Portfolio Management ¹⁰⁾

¹⁾ Member until 31 December 2017.

²⁾ Member as of 1 July 2017.

³⁾ Head Private Real Estate Asset Management until 30 June 2017.

⁴⁾ Head Private Real Estate until 30 June 2017.

⁵⁾ Co-Head Investments until 30 June 2017.

⁶⁾ Co-Head Private Debt until 30 June 2017.

⁷⁾ Head Investment Structures until 30 June 2017.

⁸⁾ Co-Head Investment Solutions Europe & Middle East until 30 June 2017.

⁹⁾ Co-Head Private Equity until 30 June 2017.

¹⁰⁾ Chief Financial Officer until 30 June 2017.

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, Denver, 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).

In addition to the changes in the Executive Committee (see also section 4.1), the firm has adjusted the membership of its Global Executive Board. These adjustments ensure the Global Executive Board represents the full range of business

Corporate Governance Report

activities and key functions across the firm, including Executive Committee members, department heads, investment and corporate leadership roles and office heads of major hubs. Bill Berry, Head Private Debt, Mike Bryant, Co-Head Private Real Estate, Adam Howarth, Head Portfolio Solutions Americas, Dr. Yves Schneller, Head Investment Services, Anthony Shontz, Co-Head Private Equity Integrated Investments Americas and Marc Weiss, Co-Head Private Real Estate, therefore joined the Global Executive Board.

Based on the adjustments above, Pamela Alsterlind, Partner in the Private Real Estate Americas business unit, Claude Angéloz, Chairman of Private Real Estate, Andreas Baumann, Head of the Integrated Investments business unit, Scott Essex, Head of the Private Debt Americas business unit, Gonzalo Fernandez Castro, Head of the Latin American Private Equity team and Head of Partners Group's São Paulo office, Felix Haldner responsible for strategic client development in Europe and public affairs globally, and Dr. Cyrill Wipfli, Co-Head of the Portfolio Management business unit left the Global Executive Board.

Members of the Global Executive Board



Bill Berry

is Head of the Private Debt business department, based in London. He has 22 years of industry experience. Prior to joining Partners Group, he was Co-President of Capula Investment Management and worked at Bank of America/Merrill Lynch in a variety

of senior roles including Global Co-Head of Counterparty Portfolio Management (CPM) and Head of EMEA Structured Credit and Securitization and Solutions. He holds a bachelor's degree in economics from Princeton University, New Jersey and an MBA from the Wharton School of the University of Pennsylvania, USA.



René Biner

is Chairman of the Global Investment Committee at Partners Group, based in Zug. He is a member of the Global Executive Board. He has been with Partners Group since 1999 and has 24 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.



Mike Bryant

is Co-Head of the Private Real Estate business department, based in London. 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 27 years of industry experience. Prior to joining Partners Group he worked at GE Capital Real Estate, HVB Real Estate Capital, Erste Bank, Coopers and Lybrand, and Cushman and Wakefield. He holds a Master of Arts in Land Economy from the University of Cambridge, UK. He is also a qualified chartered surveyor.



Adam Howarth

is Head of Partners Group's New York office and Head of Portfolio Management for the Americas. He is a member of the Private Equity Integrated Investment Committee and was previously the Co-Head Private Equity Integrated Investments Americas. He

has been with Partners Group since 2007 and has 18 years of industry experience. Prior to joining Partners Group, he worked at HarbourVest Partners, LLC and Credit Suisse. He holds an MBA from the New York University Stern School of Business, USA.



Sergio Jovele

is Head of Partners Group's London office and part of the European Client Solutions business unit. He is a member of the Global Executive Board. He has been with Partners Group since 2005 and has 18 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 degree in literature from the Istituto Universitario Orientale di Napoli, Italy.

Corporate Governance Report



Dr. Kevin Lu

is Chairman of Asia and Head of Partners Group's Singapore office as well as Head of the Asian Client Solutions business unit. He is a member of the Global Executive Board. He has been with Partners Group since 2014 and has 20 years of industry experience.

Prior to joining Partners Group, he was a member of the senior management team at the World Bank Group's Multilateral Investment Guarantee Agency, as its CFO and Asia-Pacific Regional Director. He holds a PhD in international finance and public policy from New York University, USA.



Stefan Näf

is Head of the Client Solutions business department and Head of the European Client Solutions business unit, based in Zug. He is a member of the Global Executive Board. Previously, he was part of the Private Equity Directs and Primaries business unit and

subsequently founded the firm's London office. He has been with Partners Group since 2000 and has 22 years of industry experience. 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.



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 24 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.



Stephan Schäli

is the Chief Investment Officer of Partners Group, based in Zug. He is a member of the Global Executive Board. He is the Deputy Chairman of the Global Investment Committee and the Chairman of the Global Portfolio Committee. He has been with Partners

Group since 1999 and has 21 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. Yves Schneller

is Head of the Investment Services business department and Co-Head of the Transaction Services business unit, based in Zug. He has been with Partners Group since 2008 and has twelve years of industry experience. Prior to joining Partners Group, he worked at Baer &

Karrer. He holds a PhD in business law from the University of St. Gallen (HSG), Switzerland. He is also admitted to the Swiss bar.



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 25 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 Client Solutions business unit. He is a member of the Global Executive Board. He has been with Partners Group since 2008 and has 25 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.

Corporate Governance Report



Anthony Shontz

is Head of Partners Group's Denver office and Co-Head of Private Equity Integrated Investments Americas. He is a member of the Private Equity Integrated Investment Committee. He has been with Partners Group since 2007 and has 16 years of industry

experience. Prior to joining Partners Group, he worked at Pacific Private Capital and Prudential Capital Group. He holds an MBA from the Northwestern University Kellogg School of Management in Illinois, USA.



Marc Weiss

is Co-Head of the Private Real Estate business department and Head of the Private Real Estate Integrated Investments business unit, based in New York. He is a member of the Global Executive Board and the Global Investment Committee and Chairman

of the Private Real Estate Investment Committee. He has been with Partners Group since 2007 and has 31 years of industry experience. Prior to joining Partners Group, he worked at Commonfund, Kenneth Leventhal & Company, Ernst & Young, LLP, UBS Asset Management and Pension Consulting Alliance, Inc., whose discretionary asset management business was integrated into Partners Group. He holds an MBA from the Cornell University Samuel Curtis Johnson Graduate School of Management in New York, USA. He was also a certified public accountant.

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 2017 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 sections 5 and 6 in the Compensation Report 2017. In the Compensation Report 2017, the firm outlines its compensation principles, components and method. The Compensation Report can be found in the Annual Report 2017 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 2017 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. Art. 27 and Art. 31 of Partners Group's articles of association state that the members of the Board of Directors and Executive Committee may be granted loans, credits, and provided collateral up to certain limits at arm's length conditions. All loans listed in the Compensation Report 2017 were granted before the entering into force of the OaEC.

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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. 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.

Votes and elections in the shareholders' meeting are open (through an electronic voting system) 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 2018, the AGM for shareholders is scheduled for 9 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 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.

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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 $\frac{1}{3}$ % 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, Thomas Dorst, has been in charge of the mandate since 10 May 2017 and is subject to a seven-year rotation interval.

9.2. Auditing fees

In the financial year 2017, KPMG AG and other KPMG companies received a total of CHF 1.3 million (2016: CHF 1.1 million) for audit services.

9.3. Additional fees

In addition, KPMG AG and other KPMG companies received CHF 0.2 million (2016: CHF 0.1 million) in fees for non-audit related services such as consulting services (tax, regulatory and IFRS) rendered to Partners Group Holding and its subsidiaries in the financial year 2017.

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 interacts with and monitors the qualification, independence and performance of the external auditors.

Based on the constant dialogue with KPMG AG and its annual presentation to the Board of Directors evaluating all audit findings, the Risk & Audit Committee conducts its assessment. This assessment further includes oral and written statements made by KPMG AG throughout the year concerning individual aspects or factual issues in connection with the accounting and the audit. During the financial year 2017, the external auditors participated in all four meetings of the Risk & Audit Committee in order to discuss audit processes as well as regulatory guidelines and monitoring. Among others, the external auditors were also involved in evaluating findings on 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 3.5 as well 3.7.1.3 concerning the Risk & Audit Committee.

Partners Group Holding's Semi-Annual and Annual Reports are available for download on the website at 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 www.partnersgroup.com/pressreleases.

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

Partners Group's Compensation Report outlining the 2017 compensation recommendations for the Board of Directors and Executive Committee can be found on the Partners Group website at www.partnersgroup.com/compensation-report or in the 2017 Annual Report.

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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 2018 are as follows:

Event	Date
Annual General Meeting of shareholders	9 May 2018
Ex-dividend date	14 May 2018
Dividend record date	15 May 2018
Dividend payment date	16 May 2018
AuM announcement as of 30 June 2018	12 July 2018
Publication Semi-Annual Report as of 30 June 2018	11 September 2018

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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