



As of 30 June 2020

Interim Report 2020



Partners Group

REALIZING POTENTIAL IN PRIVATE MARKETS

Contents

Key figures	3
Message from the Chairman and Co-CEOs	4
H1 2020 at a glance	
Investments	6
Clients	10
Financials	14
Key definitions and alternative performance metrics	22
Condensed interim consolidated financial statements	24
Contacts	47

Key figures H1 2020

Business



1'501

full-time
employees¹⁾



USD
96.3
billion

assets under
management¹⁾



USD
8.3
billion

new assets raised



USD
4.3
billion

invested

Financials



CHF
567
million

management
fees²⁾



CHF
56
million

performance
fees



CHF
390
million

EBIT



CHF
313
million

profit

1) As of 30 June 2020. 2) Management fees and other revenues, net, and other operating income.

Message from the Chairman and Co-CEOs



André Frei, Steffen Meister, David Layton

The main themes underlying our investment approach should not only withstand the structural changes caused by the COVID-19 pandemic, but these changes may in fact amplify the relevance of many of the businesses and assets in our investment portfolio.

Dear clients, business partners, shareholders and colleagues,

In the first half of 2020, the world had to adapt as the COVID-19 pandemic unfolded and government-enforced lockdowns followed. At Partners Group, we made safeguarding the health of our employees and our portfolio company employees our immediate priority. As the pandemic took hold, we were successful in protecting our colleagues from the initial spread of the virus with minimal disruption to business continuity. For those portfolio assets that provide essential manufacturing or services, we launched a sourcing initiative for personal protection equipment via our global network to enable employees to work safely.

In parallel, to protect and drive forward performance in our portfolio, we created a COVID-19 action plan for each asset, allocating leadership, operational and financial resources. These plans prioritized business continuity and the preservation of liquidity throughout the early phase of the crisis. To support the most financially vulnerable employees in our portfolio companies, the firm and its partners and employees raised a USD 10 million Portfolio Employee Support Fund. This fund helped to address the specific needs of families and individuals from across our global portfolio during this challenging time, and contributed to medical expenses, healthcare and childcare, among other things.

While we invested a total of USD 4.3 billion (H1 2019: USD 6.9 billion) on behalf of our clients across all private markets asset classes in H1 2020, with a majority of these investments undertaken in the earlier part of Q1, the investment activity slowed considerably when government-enforced lockdowns were enacted.

Today, it is becoming increasingly evident that the COVID-19 pandemic will continue to act as a major disruptor until an effective vaccine or medication is found and distributed globally. At the same time, the mid-term outlook for the economy remains quite uncertain. However, our experience during H1 2020 has reassured us that our entrepreneurial governance, our hands-on engagement with assets and our focus on robust, transformative sectors should not only withstand the structural changes following COVID-19, but that these changes may in fact amplify the relevance of many of the businesses and assets in our investment portfolio. In particular, attractive sectors benefitting from these amplifications are outsourced contract manufacturing, software product engineering, digital outsourcing solutions, renewable energy and last-mile logistics. Therefore, we believe the longer-term outlook for our portfolio and investment strategy continues to be very strong. We also believe that the overall outperformance of our resilient private markets direct portfolios against the relevant public markets benchmarks is testimony to this.

As we move into H2 2020, we will continue to broaden our approach to thematic investing and have reinitiated dialogues around potential new acquisitions. The focus remains on high-quality and resilient assets that have performed strongly despite the uncertain environment. With around USD 15 billion of dry powder as of 30 June 2020, together with our wide-ranging industry network and thematic sourcing approach, we remain well-positioned to capitalize on attractive private markets investment opportunities across all asset classes. In July 2020, we agreed to acquire a major equity stake in Rovensa, a leading European provider of specialty crop nutrition, protection and biocontrol products, at an enterprise value of around EUR 1 billion. In August 2020, we invested additional equity to acquire and construct Murra Warra II, a 209MW wind farm project in Australia.

Message from the Chairman and Co-CEOs

Of course, our client interactions continued throughout H1, at an even higher intensity and frequency than normal. Although social distancing measures limited in-person meetings during this period, we found innovative ways to bring clients even closer to our entrepreneurial ownership approach through in-depth, asset-level "virtual" performance updates. Overall, our clients entrusted us with USD 8.3 billion in new capital commitments during the first half of the year, demonstrating a shared conviction in our investment approach.

For the full-year 2020, we anticipate gross client demand of USD 12-15 billion. This range factors in the potential for temporary constraints on investment volumes due to the sustained uncertainty in the market and longer conversion periods for new client commitments. We continue to expect fundraising to span a variety of solutions across all private markets asset classes.

Turning to our financials in H1 2020, the USD 8.3 billion of new assets raised translated into a 3% increase in management fees year-on-year to CHF 567 million. At the same time, the market volatility introduced by COVID-19 impacted the exit environment and caused us to postpone several exit activities originally tabled for H1, which led to a corresponding decline in performance fees. As a result, total revenues decreased by 9% to CHF 623 million during the period.

We continued to balance our cost discipline with investing in the growth of our business. In H1 2020, we prioritized business continuity at Partners Group and across our portfolio over the hiring of new employees. This temporary slowdown in our hiring efforts resulted in a 3% FTE growth for the six-month period ended 30 June 2020, largely in line with the development of AuM. However, the number of average FTEs increased by 19% versus H1 2019 as we had intensified the build-out of our teams throughout 2019.

Total personnel expenses – the main driver of costs for the firm – decreased more than revenues, mainly because performance fee-related personnel expenses fell in line with the development of overall performance fees. This confirms our disciplined approach to cost management, which resulted in a stable EBIT margin of 63%. EBIT decreased by 10% to CHF 390 million, in line with the revenue development.

In the 14 years since we listed on the SIX Swiss Exchange in 2006, we have successfully invested over USD 125 billion for our clients and generated significant value for them. Over the same time period, Partners Group's share price has mirrored the value created for our clients and our stock has outperformed that of all the companies in the Swiss Market Index (SMI). The blue-chip SMI is the most prominent market index in Switzerland, comprising the 20 largest Swiss stocks.

As a result of our growth and performance, Partners Group will be included in the SMI as of 21 September 2020. We recognize this as a significant milestone that substantiates our commitment to our purpose of creating lasting positive impact as a long-term investor, business partner and employer.

As we look back on a challenging H1 2020, and plan for continued challenges in the second half of the year, we are confident of the resilience of the business we have built. We remain steadfast in our commitment to generating long-term value and positive outcomes for all our stakeholders and thankful for your trust in our firm.



Steffen Meister

Executive Chairman



André Frei

Co-Chief Executive Officer



David Layton

Co-Chief Executive Officer

H1 2020 at a glance - Investments



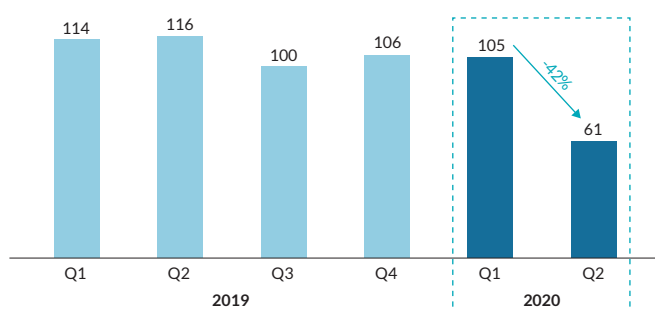
Investments

USD 4.3 billion invested on behalf of our clients in transformative businesses and assets.

Investments in H1 2020

With the COVID-19 global health crisis affecting almost every segment of the economy and temporarily causing unprecedented dislocation across financial markets, the first half of 2020 has been a complex and challenging period for investors globally. Driven by government-enforced lockdowns and social distancing, we observed many market participants adopting a more cautious investment approach. This resulted in private markets investment activity slowing substantially. In Q2 2020, global transaction value was at one of the lowest levels of the last decade¹.

Global private equity buyout investments (in USD bn)

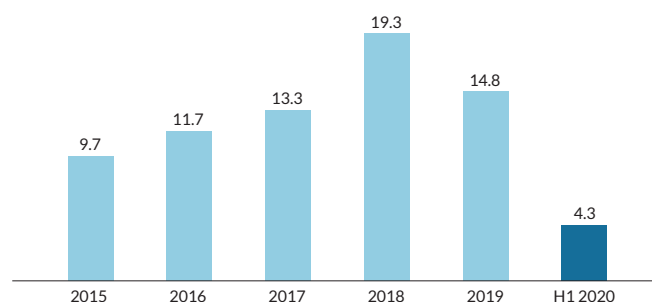


Source: PreqinPro, 31 August 2020.

During H1 2020, we invested a total of USD 4.3 billion (H1 2019: USD 6.9 billion) on behalf of our clients across all private markets asset classes, with a significant proportion of these investments undertaken in the earlier part of Q1. Following the COVID-19 unfolding, in the second half of Q1 and in Q2, we focused on safeguarding the health of our portfolio companies' employees and initiated personal protection equipment sourcing initiatives for those portfolio assets that required the equipment to operate safely.

¹ Source: PreqinPro, 31 August 2020.

Private markets investments 2015-H1 2020 (in USD bn)



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

Furthermore, we shared best practices and successfully implemented COVID-19 action plans across our portfolio to maintain and drive performance by allocating leadership, operational and financial resources to ensure business continuity and preserve liquidity. As a multi-asset investor, we were well-positioned to offer guidance to our portfolio companies on topics such as debt capital structuring or real estate capital expenditure.

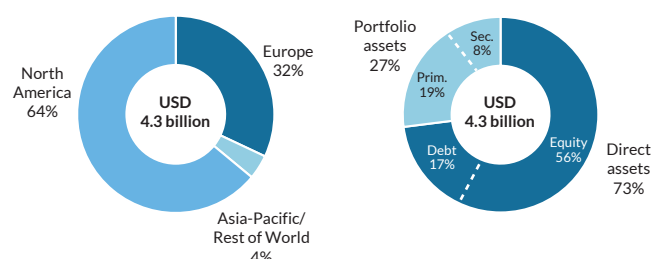
In order to support the most financially vulnerable employees at our portfolio companies during the crisis, we also rallied to raise a Portfolio Employee Support Fund. This fund already distributed CHF 5 million out of CHF 10 million in H1 to address the specific needs of the families and individuals in these distinct workforces, in particular for medical expenses, healthcare and childcare.

H1 2020 at a glance - Investments

Out of the total amount invested in H1 2020, USD 3.1 billion (73% of total investment volume) was deployed in direct assets, of which USD 2.4 billion was invested as equity in individual businesses and real assets and USD 0.7 billion was invested in corporate debt.

Investment activity remained geographically diversified in H1 2020, with 32% of capital invested in Europe, 64% in North America and 4% in Asia-Pacific and emerging markets, reflecting our global reach and scope.

Private markets investments during H1 2020 (in USD bn)

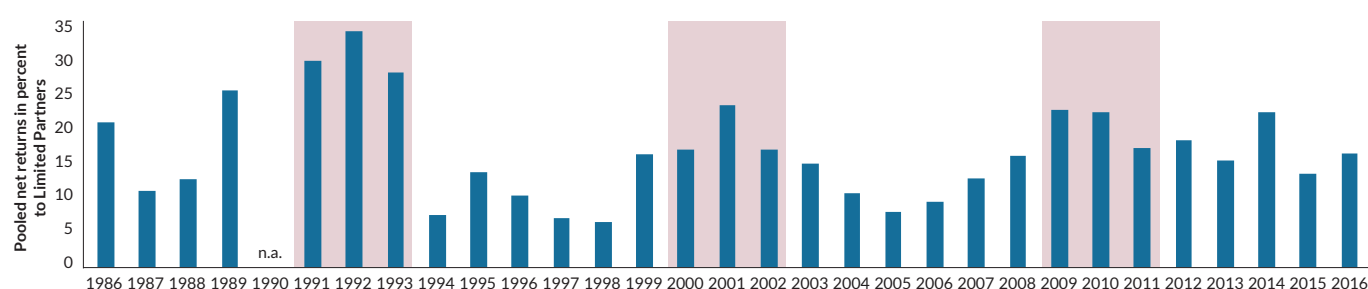


Note: figures include add-on investments but exclude investments executed for short-term loans, cash management purposes and syndication partner investments. Direct equity investments include all direct private equity, direct infrastructure and direct real estate investments (including direct secondary transactions where Partners Group has a controlling interest).

To complement our direct assets, we invested USD 1.2 billion (27% of total investment volume) in portfolio assets on behalf of our clients in H1 2020. These portfolio assets include secondary investments (USD 0.3 billion) in globally diversified private markets portfolios and select primary commitments (USD 0.8 billion) to other private markets managers.

Transaction volumes during periods of high market volatility and uncertainty tend to be at lower levels. However, the ability to close on new investments during these periods may generate more attractive returns, as demonstrated by the US private equity buyout market data shown below.

Historical returns for US private equity buyout programs



Source: Cambridge Associates (Q3 2019). Returns represent pooled net internal rates of returns (IRR) to Limited Partners by vintage year. IRR are net of fees, expenses and carried interest. Benchmarks with "n.a." have an insufficient number of funds in the vintage year sample to produce a meaningful return. Shaded areas show periods of marked economic turbulence.

Investment portfolio performance H1 2020

Private equity

During the crisis, our greatest impact as an owner and operator within our lead and joint lead private equity investments has been the rapid mobilization of operating directors, industry specialists and investment professionals to work intensively with portfolio companies. This has provided relative stability in our portfolio, as has our focus on high-quality, resilient companies in the healthcare, information technology and business services sectors, which were identified by our thematic sourcing approach. As is common in an economic downturn, a small number of portfolio companies will require additional financing or equity over the next few months. While some of these companies demonstrated operational challenges pre-COVID-19, the overall additional capital² required to manage these assets through the crisis is currently expected to be insignificant compared to our firm's USD 45 billion AuM in private equity.

Private debt

Overall, our debt portfolio has proven to be resilient. We had only a limited number of credits that will require more substantial restructuring³, incurring a modest level of aggregated impairments relative to our firm's overall private debt AuM of USD 22 billion. Our portfolio allocation has provided relative stability in this environment due to our focus on non-cyclical, larger-cap credits, combined with negligible energy exposure and substantial underweighting of the more challenged leisure, retail and transportation sectors. Our Collateralized Loan Obligations (CLOs) have continued to pay distributions to equity holders and have experienced no over-collateralization test breaches.

² Valuation adjustments due to capital injections are already reflected in the private equity portfolio performance overview.

³ Valuation adjustments due to restructurings are already reflected in the direct lending and liquid loans portfolio performance overview.

H1 2020 at a glance - Investments

Private real estate

Our private real estate portfolio has significantly outperformed its public market benchmark due to its limited exposure to retail, hospitality and student housing. Very limited short-term debt maturities combined with strong rent collection levels throughout the period further strengthened the liquidity profile on the investment level. Global diversification within our portfolio has limited its exposure to any one city or sector. Overall, with USD 15 billion AuM in private real estate, we are not currently experiencing significant challenges in our direct real estate portfolio.

Private infrastructure

Our firm's private infrastructure portfolio has substantially outperformed its public infrastructure benchmark and is expected to continue to perform relatively well compared to other private infrastructure portfolios, mainly due to the fact that it has minimal exposure to commodity prices, GDP, or traffic volumes. Our portfolio is characterized by a heavy overweight in long-term take-or-pay arrangements with creditworthy counterparties, broad diversification across sub-sectors, and a concentration on essential services, such as renewable power generation, gas transportation and data transmission. Our USD 14 billion AuM private infrastructure platform has to-date remained resilient in the face of market dislocations.

Performance for the six-month period ended 30 June 2020

While the mid-term outlook for the economy remains quite uncertain, our experience during H1 2020 has reassured us that the main themes underlying our investment approach should not only withstand the structural changes caused by the COVID-19 pandemic, but that these changes may in fact amplify the relevance of many of the businesses and assets in our investment portfolio.

The overall outperformance of our private markets portfolios during this period compared to their relevant public markets benchmarks was driven by our focus on attractive sectors, in particular, outsourced contract manufacturing, software product engineering, digital outsourcing solutions, renewable energy and last-mile logistics.

The portfolio performance overview for the six-month period ending on 30 June 2020 is provided below.

	YTD as of 30 June 2020	
	Partners Group*	Reference index**
Private equity (direct)	-0.5%	-5.8%
Direct lending	-4.1%	-3.9%
Liquid loans	-3.7%	-4.2%
Private real estate (direct)	-5.1%	-20.9%
Private infrastructure (direct)	-0.2%	-19.4%

*Partners Group shows performance as model net returns, which are based on gross investment performance and standard fee parameters for the six-month period ended 30 June 2020. All cash flows and valuations are converted to USD using fixed FX rates as of 30 June 2020. Return figures denote de-annualized pooled internal rates of returns (IRR). For liquid loans, performance refers to Partners Group Global Senior Loan Master Fund SICAV Class P (USD) D share class, which is not subject to any management or performance fees; return figures reflect time-weighted returns denominated in USD. Reference index returns denote time-weighted returns. Model net figures do not include the impact of other possible factors, such as any taxes incurred by investors, organizational and administration expenses or ongoing operating expenses incurred by the investment program (e.g. audit, hedging etc.). The performance presented reflects model performance an investor may have obtained had they invested in the manner and the time period shown and does not represent performance that any investor actually attained.

**For reference purposes, Partners Group private equity, direct lending, liquid loans, private real estate and private infrastructure performances are compared, respectively, to the following USD-denominated indices: MSCI World Net Total Return USD Index (ticker: NDDUWI); ICE BofA Global High Yield Index USD-hedged (ticker: HW00); a composite of 75% S&P/LSTA Leveraged Loan Index in USD (ticker: SPBDAL) and 25% S&P European Leveraged Loan Index USD-hedged (ticker: SPBDELUH); FTSE EPRA NAREIT Developed Total Return Index USD (ticker: RUGL); and S&P Global Infrastructure Total Return Index USD (ticker: SPGTINTR).

H1 2020 at a glance - Investments

Dry powder H1 2020

With about USD 15 billion of dry powder as of 30 June 2020, together with our deep sector insights, wide-ranging industry network and our proprietary private markets intelligence tools, we remain well-positioned to capitalize on attractive private markets investment opportunities across all asset classes. This is underpinned by recent investments⁴ signed after the end of the reporting period. For example, in July 2020, we acquired **Rovensia**, a leading provider of specialty crop nutrition, protection and biocontrol products at an enterprise value of around EUR 1 billion. In August 2020, we invested AUD 0.2 billion in equity to acquire and construct the second stage of **Murra Warra**, a 209MW wind farm project in Australia.

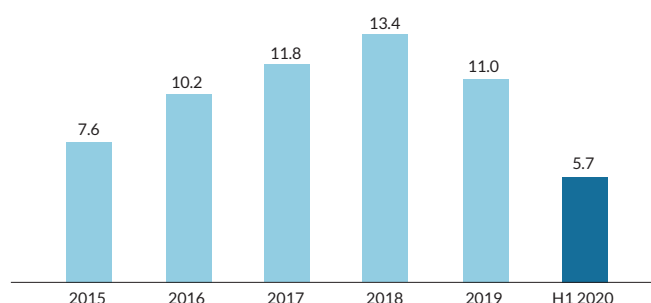
Divestments in H1 2020

We have always focused on creating value in our portfolio and elect not to sell fundamentally solid businesses into an unfavorable market environment where we believe we cannot optimize the returns for our clients. Therefore, we aim to drive growth and value creation initiatives in our portfolio companies and assets before we realize value for our clients, executing a carefully planned exit strategy at the right time. As such, due to the uncertainty and volatility caused by COVID-19, we decided to postpone some select divestments which were tabled for H1 2020.

Nevertheless, we realized a number of mature private markets assets on behalf of our clients, leading to a total of USD 5.7 billion in underlying portfolio distributions in H1 2020. These were skewed towards the first two months of the year before COVID-19 unfolded. Underlying portfolio realizations in the first half of the year were dominated by cash distributions from the closings of transactions for which the respective sales and purchase agreements were signed in Q4 2019 / early Q1 2020.

⁴ All Partners Group investments mentioned herein were made on behalf of the firm's clients, not on behalf of Partners Group Holding AG or any of its affiliates.

Partners Group's underlying portfolio realizations (in USD bn)



Looking ahead, we expect somewhat lower portfolio realizations in H2 2020 as we have deprioritized exits for the near-term. This is mainly due to impact of COVID-19 on the economy and the resulting uncertainty across global financial markets.

H1 2020 at a glance - Clients



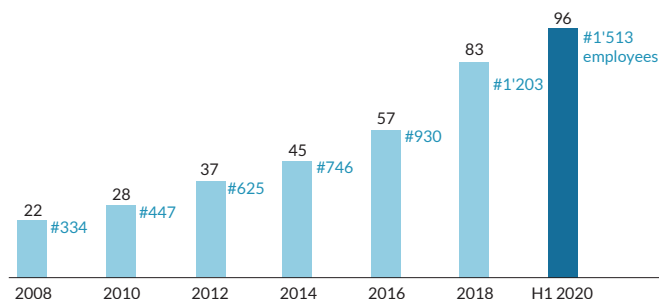
Clients

USD 8.3 billion gross client demand in H1 2020; AuM stands at USD 96 billion.

Despite an uncertain short-term outlook, we expect long-term prospects for private markets investing, and for Partners Group in particular, to remain strong. The structural growth drivers continue to be the growth of institutional assets under management, the rising allocations of institutional investors to private markets and the outperformance of private markets against public markets. Moreover, we observe a concentration of private markets allocations with those managers that have the capacity and ability to onboard sizeable commitments and deploy larger amounts of capital.

In H1 2020, we saw continued strong client demand across all private markets asset classes despite COVID-19 and received USD 8.3 billion in new commitments. This demand for programs and mandates brings total AuM to USD 96.3 billion as of 30 June 2020 (31 December 2019: USD 94.1 billion).

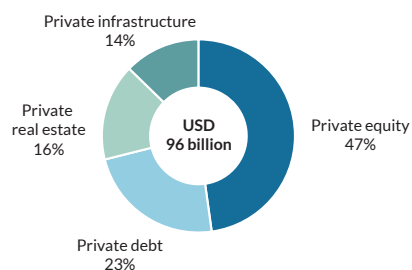
Total assets under management (in USD bn)



Note: assets under management exclude discontinued public alternative investment activities and divested affiliated companies held up to 2013.

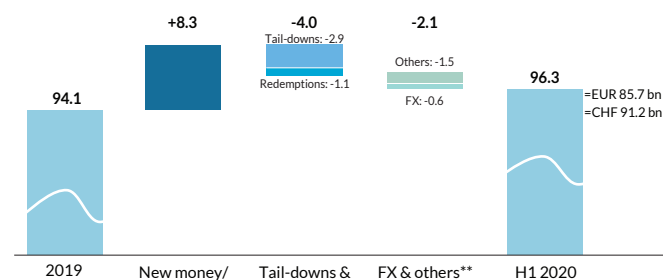
The breakdown of total AuM as of 30 June 2020 is as follows: USD 45 billion private equity, USD 22 billion private debt, USD 15 billion private real estate, and USD 14 billion private infrastructure.

AuM by asset class



Alongside new commitments received during the period, tail-down effects from mature private markets investment programs amounted to USD -2.9 billion and redemptions from evergreen programs amounted to USD -1.1 billion in H1 2020. Over the same period, a negative contribution of USD -1.5 billion stemmed mainly from performance-related effects of a select number of investment programs. A further USD -0.6 billion was driven by foreign exchange effects. Overall, this resulted in net AuM growth of USD 2.2 billion.

Total AuM development in H1 2020 (in USD bn, except where stated otherwise)



*Tail-downs & redemptions: tail-downs consist of maturing investment programs (typically closed-ended structures); redemptions stem from evergreen programs.

**Others consist of performance and investment program changes from select programs.

H1 2020 at a glance - Clients

Client demand across all asset classes

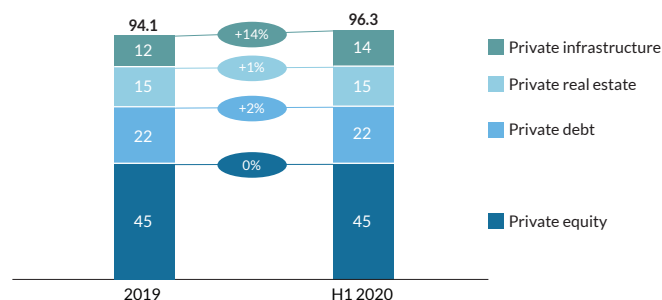
Private equity was the largest contributor to assets raised in H1 2020, representing 35% of all new commitments (USD 2.9 billion). Demand was split across a wide range of different programs and mandates, with our next-generation private equity direct and secondaries programs as well as our evergreen programs being the main contributors.

Private debt saw strong inflows, which represented 27% of all new commitments (USD 2.2 billion). Demand was spread over several different programs and mandates focused on our direct lending activities, which contributed about half of the assets raised, and our collateralized loan obligation (CLO) business, which contributed the other half of new commitments. Today, our entire CLO business represents around 5% of our AuM.

Private real estate new commitments represented 12% of overall new client demand (USD 1.0 billion). About 40% of new assets raised in private real estate stemmed from our real estate opportunities investment strategy. The remainder stemmed from a diversified range of investment programs and mandates.

New client demand for **private infrastructure** represented 26% of all new commitments (USD 2.1 billion). Our infrastructure platform is in the midst of fundraising of its next generation direct offerings.

Net AuM growth by asset class (in USD bn)

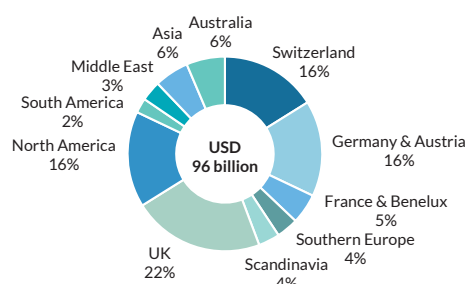


Client demand by region

We have an international client base of around 900 institutions. In H1 2020, client demand was again well-diversified across regions: the UK accounted for the largest share of client demand, with 19% of new inflows, followed by North America and Switzerland, which represented 16% and 16% of client demand, respectively. Germany contributed 15% total inflows. The remainder stemmed from all other regions, with France/Benelux, Asia and Australia making strong contributions.

Following these inflows in H1 2020, our total AuM by region as of 30 June 2020 stands as follows.

AuM by region



Client demand by type

The USD 8.3 billion of inflows in H1 2020 stemmed from a broad and diverse range of clients, as outlined below.

Corporate, public, other pension funds and sovereign wealth funds continued to be the key contributors to AuM growth, representing 40% of total client demand. These investors typically seek to further enhance the risk/return profile of their portfolios by increasing their private markets exposure.

A further 21% of total client demand stemmed from a more diversified group of investors, such as **asset managers, family offices and other investors**.

Insurance companies accounted for 18% of overall inflows, displaying particular appetite for yield-generating private debt offerings as well as interest for equity investments.

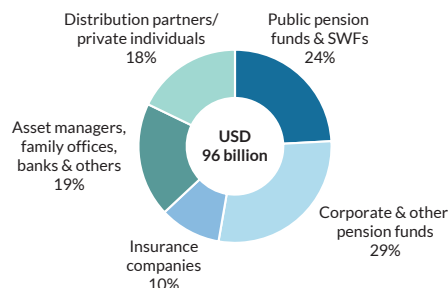
We saw continued demand from **distribution partners**, which accounted for 15% of client demand. They represent private individuals and smaller institutional investors, who increasingly recognize the benefits of private markets and aim to mirror the allocations of institutional investors in their own investment portfolios. Usually, they seek to access private markets through semi-liquid evergreen programs.

Banks also supported our fundraising, with a focus on our CLO offerings. They strengthened our position in the European and US broadly syndicated debt markets and made up 6% of our total fundraising.

H1 2020 at a glance - Clients

Following these inflows in H1 2020, our total AuM by investor type as of 30 June 2020 stands as follows.

AuM by type



Client demand by product structure

Managing around 300 diverse private markets portfolios in different stages of their lifecycle and across all private market asset classes is our strength and a key differentiator for our firm. These encompass traditional private markets vehicles such as comingled, closed-ended limited partnerships; mandates for large institutions, which allow us to steer investment exposure across multiple private markets asset classes in line with clients' longer-term investment horizons; and evergreen programs.

In H1 2020, 55% (USD 4.6 billion) of overall inflows were raised via **traditional private markets programs**, typically limited partnerships, with a pre-defined contractual life, often with an initial term of 10-12 years for closed-ended equity offerings and 5-7 years for closed-ended debt offerings.

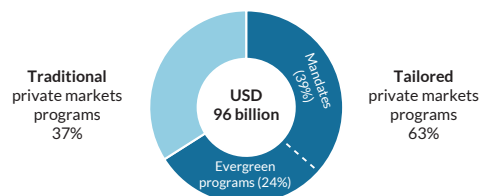
Our **mandate** business concentrates on building up a client's private markets exposure on an ongoing basis. Capital is committed via long-term partnerships, which are often not limited to a specific contractual life and will continue for a perpetual term, unless new commitments are discontinued. Some 20% (USD 1.7 billion) of our client commitments in H1 2020 stemmed from relationships with clients through such mandates.

The remaining 25% (USD 2.0 billion) of new commitments stemmed from our **evergreen programs**. We are a global leader in evergreen programs for investments in private markets. These open-ended evergreen vehicles cater mostly to high-net-worth individuals and have no contractual end but are subject to potential redemptions. As of 30 June 2020, we manage 24% of our AuM (USD 23.6 billion) in evergreen programs, of which USD 21.3 billion are subject to potential redemptions. In H1 2020, net inflows have exceeded redemptions across all our evergreen products by USD 0.9 billion.

Gating provisions are a standard feature of these evergreen programs in order to protect remaining investors and performance; net redemptions in these investment programs are typically limited to 20-25% p.a. of the prevailing net asset value, depending on the investment strategy and content of the program. When deemed to be in the best interest of the investment program, stricter gating rules can be enforced for select share classes for a period of up to two years.

Following these inflows in H1 2020, our total AuM by product structure as of 30 June 2020 stands as follows.

AuM by program structure



As a pioneer in creating private markets products which are accessible for the defined contribution (DC) pensions industry, a highlight for our firm in H1 2020 was the Information Letter issued by the US Department of Labor (DoL) in response to our initiative to seek guidance for the US DC industry on investing in private markets. The DoL clarified that, under federal law, DC pension plan fiduciaries could prudently incorporate certain private markets strategies into diversified investment options, such as target-date funds. Previously, DC plan sponsors had been reluctant to include private equity into their investment options for fear of breaching their fiduciary duty under federal law. In its guidance, the DoL also clarified that Partners Group's dedicated evergreen offering for the US DC market is well-suited for these investment options. This is important as it not only enables Partners Group to help modernize the US DC market and provide participants with potentially improved retirement outcomes, but it also offers the US DC pension system vital access to the broader economy by providing the opportunity to be a substantial future investor in the growing proportion of businesses that choose not to list publicly.

The two largest programs account for 11% of AuM

As of 30 June 2020, our two largest investment programs, which are both globally diversified, accounted for 11% of our AuM. While the largest program combines private equity and private debt investments and caters to private investors in the US, the second largest program offers investors exposure to all private equity investment strategies.

H1 2020 at a glance - Clients



Client outlook

Solid **gross client demand** expected for 2020, despite uncertain economic backdrop; **guidance of USD 12-15 billion.**

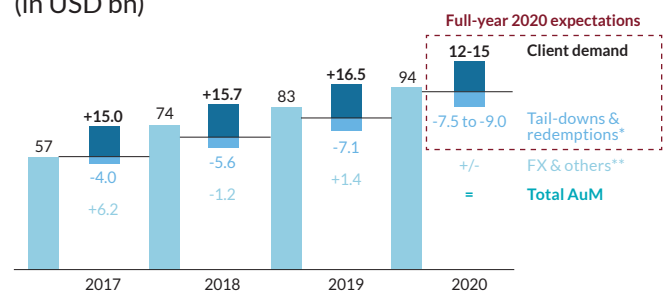
For the full-year 2020, we anticipate gross client demand of USD 12-15 billion. This outlook considers the potential for temporarily limited investment volumes and longer conversion periods for new commitments due to the market uncertainty and disruption caused by COVID-19.

Fundraising is expected to be spread across a variety of solutions spanning all private markets asset classes, including customized mandates, the firm's extensive range of evergreen fund solutions and traditional closed-ended programs.

Our full-year estimates for tail-down effects from more mature investment programs and potential redemptions from evergreen programs amount to USD -7.5 to -9.0 billion.

While uncertainty remains, we are confident that 2020 will be a solid fundraising year for our firm, despite the current environment. Based on our strong track record of investment performance, we believe we are well-positioned to continue to be a partner of choice for global investors.

AuM, client demand and other effects (in USD bn)



*Tail-downs & redemptions: tail-downs consist of maturing investment programs (typically closed-ended structures); redemptions stem from evergreen programs.

**Others consist of performance and investment program changes from select programs.

H1 2020 at a glance - Financials



Financials

**Management fees up +3%;
EBIT margin stable at 63%.**

The continuation of strong client demand amidst somewhat lower investment activities in H1 2020 resulted in an increase in management fees of 3%. However, performance fees decreased by 57% compared to H1 2019 as we postponed several divestments, which had been tabled for H1 2020, due to the weak exit environment. Consequently, total revenues decreased by 9% to CHF 623 million during the period.

In H1 2020, we slowed our hiring efforts, resulting in 3% FTE growth for the six-month period ended 30 June 2020, which is largely in line with AuM development. In 2019, we intensified the build-out of our teams across the entire organization in order to support underlying business growth, meet increasing investment demand, and properly service our clients. As a result of this intensified hiring effort throughout 2019, our average number of FTEs grew by 19%.

Conversely, total personnel expenses decreased by 11% during the period, mainly due to the fall in performance-fee related personnel expenses, which decreased in line with the negative development of performance fees.

As a result, the EBIT margin remained stable and stands at 63% (H1 2019: 63%), confirming our disciplined approach to cost management. Total EBIT decreased by 10% to CHF 390 million (H1 2019: 432 million), mainly due to lower performance fees during the period. Profit decreased by 21% year-on-year to CHF 313 million (H1 2019: CHF 397 million), driven by the negative (unrealized) valuation adjustments of our private market investments alongside clients due to COVID-19.

Key financials

	H1 2019	H1 2020	Δ in %
AuM as of the end of the period (in USD bn)	90.8	96.3	+6%
AuM as of the end of the period (in CHF bn)	88.6	91.2	+3%
Average AuM as of 30 June (in CHF bn) ¹⁾	86.0	92.2	+7%
Revenues (in CHF m) ²⁾	682	623	-9%
<i>Management fees (in CHF m) ³⁾</i>	552	567	+3%
<i>Performance fees (in CHF m)</i>	130	56	-57%
EBIT (in CHF m)	432	390	-10%
EBIT margin	63%	63%	
Profit (in CHF m)	397	313	-21%

1) Calculated on a daily basis.

2) Revenues from management services, net, including other operating income.

3) Management fees and other revenues, net, and other operating income.

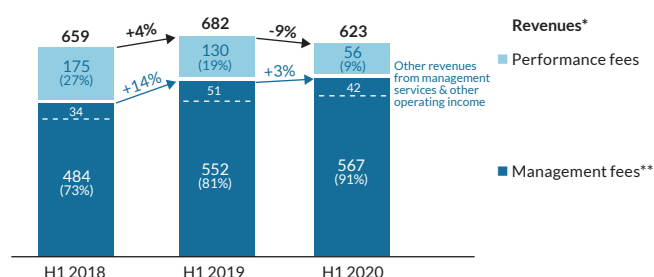
H1 2020 at a glance - Financials

Stable management fee development

Average AuM grew by 7% in H1 2020. Over the same period, management fees increased by 3% to CHF 567 million (H1 2019: CHF 552 million). The difference in growth can be largely explained by two factors. First, the payment of management fees on some recently raised assets of traditional private markets programs will only commence in H2. Second, other management fee-related revenues decreased by CHF 9 million to CHF 42 million (H1 2019: CHF 51 million). These consist of the following:

- CHF 19 million (H1 2019: CHF 29 million): other operating income earned for treasury management and short-term financing services; this income was impacted by the reduced investment activity during Q2 as a result of COVID-19;
- CHF 23 million (H1 2019: CHF 22 million): revenues relating predominately to late management fees and other income.

Revenues (in CHF m)



*Revenues from management services, net, and other operating income.

**Management fees and other revenues, net, and other operating income.

Management fees will continue to be the main source of revenues

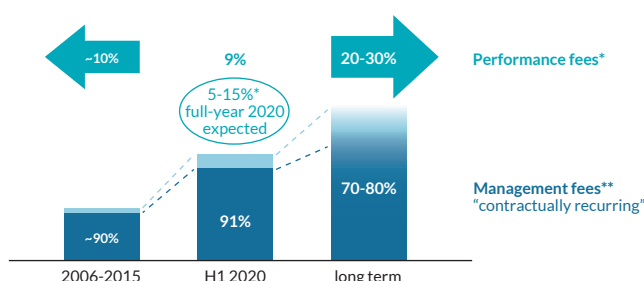
Management fees represented 91% of total revenues (H1 2019: 81%) and are expected to remain a substantial part of our firm's revenues in the years to come. Below are some characteristics of the management fees generated by our different offerings:

- **Closed-ended offerings:** management fees are recurring as they are based on long-term client contracts, often with an initial term of 10-12 years for closed-ended equity offerings and 5-7 years for closed-ended debt offerings. Such closed-ended offerings represented 37% of our total AuM as of the end of June 2020.
- **Mandates:** management fees from mandates stem from capital that is committed via long-term partnerships, which are often not limited to a specific contractual life and will continue for a perpetual term, unless new commitments are discontinued. Mandates represented 39% of our AuM as of the end of June 2020.

- **Evergreen programs:** management fees predominantly stem from semi-liquid investment programs that have no contractual end and cater predominantly to high-net-worth individuals and smaller investors; they represented 24% of AuM as of 30 June 2020⁵.

Given the anticipated growth in the firm's AuM, management fees are expected to make up around 70-80% of total revenues in a calendar year in the mid to long term with the remainder of revenues stemming from performance fees, assuming a favorable environment for exits.

Management fees are contractually recurring



*Assuming that the market is favorable to exits, Partners Group expects to continue to generate significant performance fees from the underlying client portfolios due to the visibility that it has on the life cycles of its programs.

**Management fees and other revenues, net, and other operating income.

Performance fees in H1 and full-year 2020 impacted by weak exit environment

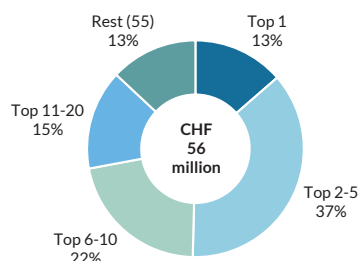
As a result of the market volatility and generally weak exit environment caused by COVID-19, we postponed a number of divestments that were originally tabled for H1 2020. This resulted in performance fees decreasing year-on-year by 57% to CHF 56 million (H1 2019: CHF 130 million) and representing 9% of total revenues (H1 2019: 19%). While exit markets have largely stabilized for now and divestitures are planned for many assets, the actual timing of the more material realizations is not yet fully predictable and may extend into next year. As a result, the firm estimates that performance fees will amount to 5-15% as a proportion of total revenues for the full-year 2020. This compares to our expected mid- to long-term range of 20-30% of total revenues, when exit markets are more supportive.

In total, about 75 investment programs and mandates with portfolios diversified across many vintage years contributed to performance fees in H1 2020. A mature private equity evergreen program contributed the most during the period, representing 13% of the total performance fees in H1 2020.

⁵ Gating provisions are a standard feature of these evergreen programs in order to protect remaining investors as well as performance; net redemptions in these investment programs are typically limited to 20-25% p.a. of the prevailing net asset value, depending on the investment strategy and content of the program. When deemed in the best interest of the investment program, stricter gating rules can be enforced for select share classes for a period of up to two years.

H1 2020 at a glance - Financials

Performance fee contribution by investment programs & mandates in H1 2020

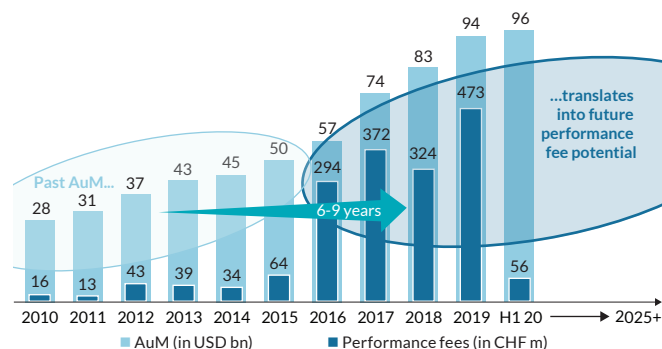


We follow a conservative approach when recognizing performance fees. In closed-ended programs, we typically charge performance fees once investments are realized and a pre-defined return hurdle has been exceeded and consider unrealized investments only with a 50% discount. This approach significantly reduces the risk of a potential future claw back, making it highly unlikely that we would have to reverse already recognized performance fees. The performance fee recognition methodology is explained in detail in the appendix on page 20.

Mid- to long-term performance fee outlook unchanged

In the mid to long term, our performance fee potential will grow in line with AuM. We currently manage around 300 diversified investment programs and mandates at different stages of their lifecycle. 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 investment vehicles going forward, making them a "quasi-recurring" source of income within a range of 20-30% of total revenues in the mid to long term, assuming market conditions and the exit environment are broadly supportive.

Performance fee development

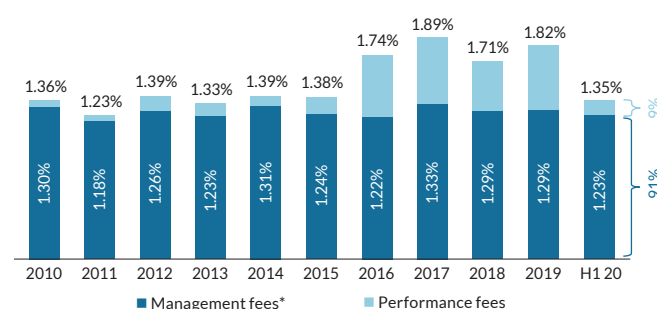


Note: assuming that the market is favorable to exits, Partners Group expects to continue to generate significant performance fees from the underlying client portfolios due to the visibility that it has on the life cycles of its programs.

Continued stable revenue margin on management fees

A substantial part of our revenue base is recurring and based on long-term contracts with our clients, providing highly visible cash flows. In H1 2020, the management fee margin decreased due to lower other operating income, amounting to 1.23% (full-year 2019: 1.29%). Total revenue margin, including performance fees, amounted to 1.35% (full-year 2019: 1.82%).

Revenue margin development



Note: calculated as revenues divided by average assets under management, calculated on a daily basis.

* Management fees and other revenues, net, and other operating income.

Disciplined cost management and continued platform build-out

In 2018 and 2019, we intensified the build-out of our teams across the entire organization to increase our investment capacity and to support major business, corporate and organizational initiatives.

In H1 2020, we prioritized business continuity and the onboarding of recent joiners over the hiring of new employees. As a result, hiring efforts temporarily slowed and resulted in a 3% FTE growth for the six-month period ended 30 June 2020⁶, largely in line with the development of AuM. While the slowdown of hiring confirmed our cost discipline, the average number of FTEs grew by 19% to 1'492 in H1 2020 (H1 2019: 1'254 average FTEs).

Our regular personnel expenses grew by 5% to CHF 156 million (H1 2019: CHF 149 million). However, during the same period, our performance-fee related personnel expenses decreased by 57%, in line with the development of overall performance fees (-57%). As a result, total personnel expenses – the main driver of costs for the firm – decreased by 11%, at a higher rate than total revenues (-9%).

⁶ As of 30 June 2020, FTEs amounted to 1'501 (31 December 2019: 1'452).

H1 2020 at a glance - Financials

EBIT decreased in line with revenues (in CHF m)

	H1 2019		H1 2020
Revenues	682	-9%	623
Total operating costs, of which	-250	-7%	-232
Personnel expenses	-201	-11%	-178
<i>Personnel expenses (regular)</i>	-149	+5%	-156
<i>Personnel expenses (performance fee-related)</i>	-52	-57%	-22
Other operating expenses	-35	+2%	-35
Depreciation & amortization	-15	+24%	-19
EBIT	432	-10%	390
<i>EBIT margin</i>	63%	0%-points	63%
Average FTEs	1'254	+19%	1'492

Note: revenues include management fees and other revenues, net, performance fees, net, and other operating income. Regular personnel expenses exclude performance fee-related personnel expenses. Performance-fee-related personnel expenses are calculated on an up to 40% operating cost-income ratio on revenues stemming from performance fees.

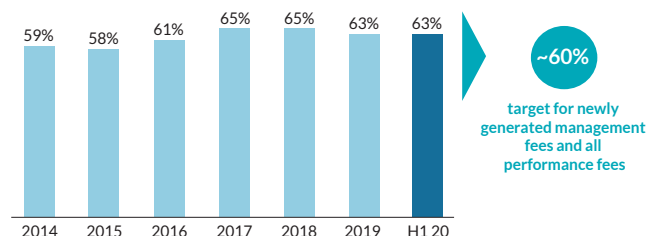
Other operating expenses were stable and amounted to CHF 35 million (H1 2019: CHF 35 million). During the period, restricted travel activity due to COVID-19 reduced expenses by around CHF 6 million. This saving was offset by the firm's contribution of CHF 5 million to the Portfolio Employee Support Fund alongside the partners and employees of the firm. This fund aims to support the most financially vulnerable employees at our portfolio companies during the COVID-19 crisis.

Depreciation & amortization increased to CHF 19 million (H1 2019: CHF 15 million), mainly driven by the depreciation impact of our newly built Denver campus.

Sustained target of 40% cost-income-ratio on new business

In H1 2020, EBIT decreased by 10%, amounting to CHF 390 million (H1 2019: CHF 432 million) and the EBIT margin remained flat at 63% (H1 2019: 63%), confirming our disciplined approach to cost management. As in the past, we continue to steer the firm based on our targeted 40% cost-income ratio on newly generated management fees (assuming stable foreign exchange rates). We also allocate up to 40% of revenues that stem from performance fees to our teams through our long-term incentive programs and/or bonus payments. The remainder (~60%) will be allocated to the firm and its shareholders.

EBIT margin development

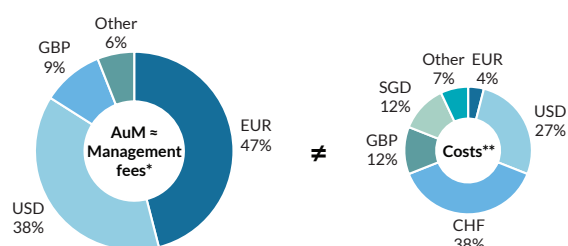


Note: for 2014, non-cash items related to the capital-protected product Pearl Holding Limited were excluded from depreciation & amortization.

Diversified FX exposure

As a globally diversified firm, fluctuations in, predominantly, the EUR or USD against the CHF affect the absolute amount of revenues and costs, causing our total EBIT margin to deviate from its target on incremental revenues.

Currency exposure in H1 2020



Note: all figures are based on estimates and the currency denomination of underlying programs.

*Includes management fees and other revenues, net, and other operating income.

**Includes regular personnel expenses (excluding performance fee-related expenses), other operating expenses as well as depreciation and amortization.

Our management fees and operating costs (excluding performance-fee related expenses) are particularly affected by such currency movements. Performance fee revenues and performance fee-related expenses are largely EBIT margin-neutral as both are affected by similar currency movements.

H1 2020 at a glance - Financials

Compared to the prior year, the USD depreciated by ~3% against the CHF on average, while the EUR, the GBP and SGD depreciated by ~6% against the CHF on average. As a result, currency movements throughout the period negatively impacted total EBIT margin by approximately -3%:

- Approximately -4% negative impact on management fees: 85% of our revenues derive from EUR- and USD-denominated investment programs and mandates, reflecting our international clientele. The main driver was the depreciation of both the EUR and USD against the CHF.
- Approximately -1% reduction in costs (excluding performance-fee related expenses): 38% of these costs are CHF-denominated, 27% are USD-denominated, 12% are GBP-denominated, 12% are SGD-denominated and 4% are EUR-denominated.

The negative FX-impact on the EBIT margin was mitigated by lower personnel expenses, resulting in a stable EBIT margin development.

Average FX rates development in H1 2020

FX rates (average)	H1 2019	H1 2020	Delta
EURCHF	1.1291	1.0640	-5.8%
USDCHF	0.9997	0.9660	-3.4%
GBPCHF	1.2935	1.2179	-5.8%
SGDCHF	0.7356	0.6908	-6.1%

Financial result driven by COVID-19 impact

The financial result amounted to CHF -24 million (H1 2019: CHF 23 million):

- CHF -25 million (H1 2019: CHF 33 million): we invest into our own investment programs alongside our clients (see detailed description of balance sheet investments further below). COVID-19 resulted in negative (unrealized) valuation adjustments for these investments, which was the main contributor to the financial result. Overall, the average return⁷ across all stages and asset classes in our portfolio was -3% (H1 2019: +6%) for the six-month period ended 30 June 2020. For further information see notes 4.1. and 4.2. of the notes to the condensed interim consolidated financial statements.
- CHF +2 million (H1 2019: CHF -10 million): the small positive contribution stemmed from foreign exchange, hedging and other costs. Note that for our outstanding

short-term loans (treasury management and short-term financing services), we hedged our exposure in currencies other than CHF. In particular, the decreasing interest differential between the USD and the CHF reduced our hedging costs during the period.

Corporate taxes amounted to CHF -53 million (H1 2019: CHF -57 million). In summary, the firm's profit decreased by 21% year-on-year to CHF 313 million (H1 2019: CHF 397 million).

Profit development (in CHF m)

	H1 2019		H1 2020
EBIT	432	-10%	390
Total net financial result, of which	23		-24
Portfolio performance	33		-25
Foreign exchange, hedging & others	-10		2
Taxes	-57		-53
Profit	397	-21%	313

Strong balance sheet

After a dividend payment of CHF 0.7 billion in May 2020, we hold cash & cash equivalents of about CHF 0.8 billion (31 December 2019: CHF 0.9 billion). With this we have sufficient cash available to meet expected operational expenses, as well as to service short-term financial obligations.

Additional liquidity of CHF 0.6 billion was invested in short-term loans (31 December 2019: CHF 0.9 billion). These short-term loans enable us to optimize liquidity management, particularly for short-term financing needs arising from our treasury management services to our clients and allow for efficient use of capital within our investment programs by bridging capital drawdowns and distributions where beneficial for clients (e.g. netting cash-flows to reduce the number of drawdowns and distributions). As of 30 June 2020, 177 short-term loans (31 December 2019: 278) were outstanding with an average loan amount of CHF 3.3 million (31 December 2019: CHF 3.2 million). The duration of these loans amounted to 1-3 months. The loans are typically secured against unfunded commitments and are, in addition, subject to strict loan-to-value (LTV) rules.

Our long-term outstanding debt amounted to CHF 0.8 billion (31 December 2019: CHF 0.8 billion). The proceeds of the bonds further strengthened the sustainability of our operations in a financial crisis scenario and enable us to optimize liquidity management.

⁷ See financial instruments (note 4.2. to the interim consolidated financial statement): changes in fair value of investments held at period end divided by the sum of financial investments as of 1 January 2020, including additions and distributions in H1 2020.

H1 2020 at a glance - Financials

The firm also maintains a diverse range of unsecured credit facilities with Swiss and international banks, amounting to a total of CHF 0.9 billion (31 December 2019: CHF 0.9 billion) as of 30 June 2020. These credit facilities can be used for general corporate purposes and/or to provide fixed advances, with a primary focus on working capital financing (including the grant of short-term loans). The facilities are subject to maximum debt covenants, which were met throughout the current and prior year. As of 30 June 2020, no credit facility was drawn (31 December 2019: no credit facility drawn).

As such, after taking into account our net debt and drawn credit facilities (drawn as of 30 June 2020: none), we hold a current net liquidity position of about CHF 0.6 billion (31 December 2019: CHF 1.0 billion). Next of having sufficient liquidity available at all times, we target an available liquidity level that would enable us to sustain the firm's operations also in a financial crisis scenario and/or a depressed economic environment. As of 30 June 2020, we have CHF 2.3 billion of gross available liquidity.

Gross available liquidity of CHF 2.3 billion

(in CHF m)

Cash & cash equivalents	819
Short-term loans	589
Undrawn credit facilities	865
Total gross available liquidity	2'273

Continued balance-sheet light approach

As of 30 June 2020, we hold own investments amounting to a total of CHF 0.7 billion (31 December 2019: CHF 0.7 billion).

The firm's balance sheet investments consist of its financial investments/GP commitments, seed investments and investments in associates. Financial investments/GP commitments (i.e. our obligation to fund investments alongside clients) typically represent about 1% of assets invested in a closed-ended limited partnership structure and have an aggregated net asset value of CHF 0.6 billion (31 December 2019: CHF 0.6 billion) as of 30 June 2020.

Investments in associates amounted to CHF 29 million (31 December 2019: CHF 42 million), which mainly represent a stake in Pearl Holding Limited, a mature investment program which continues to wind down via ongoing distributions.

Partners Group also provides seed financing to certain early stage investment programs managed by the firm. The scope of these investments is limited due to the firm's strict balance sheet risk management framework. The underlying assets of these investment programs are typically private market assets valued at the (cash-flow-adjusted) net asset value and they amounted to (net) CHF 49 million (31 December 2019: CHF 61 million) as of 30 June 2020.

Investments alongside clients

(in CHF m)

Financial investments / GP commitment ¹	572
Investments in associates ²	29
Seed investments ³	49
Total investments alongside clients from balance sheet	650

1) NAV excluding CHF 271 million of commitments that were not yet called but may be called over time, typically between one to five years following the subscription of the commitment.

2) Investments in associates described in detail in note 5 of the Interim Report 2020.

3) Seed investments presented in the annual report as assets and liabilities held for sale. Note: as of 30 June 2020.

Next to investing into investment programs alongside clients from our balance sheet, we further align the interests of clients with those of the firm's employees by offering all employees preferential terms to invest alongside our private markets programs via a global employee commitment plan. In line with standard industry practice, such investments charge no management fees and no performance fees.

In total, commitments by the firm's Board of Directors and employees amounted to approximately USD 1.2 billion as of 30 June 2020 (31 December 2019: USD 1.2 billion).

H1 2020 at a glance - Appendix

Performance fee recognition

In private markets, performance fees are designed to remunerate investment managers for the long-term value creation for their clients. They are a profit-sharing incentive for investment managers when their investment programs outperform a pre-agreed return hurdle, typically defined over the lifetime of such program. In closed-ended investment programs, performance fees are typically only charged once investments are realized and a pre-defined return hurdle has been exceeded. As the value creation period lasts several years, performance fees often only start to be earned six to nine years after an investment program commences its investment activities, and only if these are successful. The illustrative example below shows the performance fee model of a typical limited partnership program. It shows how distributions in private markets portfolios bring forward the maturity profile of an investment program and increase the likelihood that the required return hurdle will be reached.

Illustrative example of a closed-ended private markets program over its lifetime

This illustrative example assumes an initial client commitment of 100 into a closed-ended investment program. It is agreed that the investment manager shall receive 20% of profits over time and that the return hurdle shall translate to distributions to the client of 140.

After a few years, the investment manager generates realizations in the portfolio and starts making distributions to the client. After 6-9 years, the cumulative distributions (blue triangle) received by the client exceed 140, i.e. the hurdle rate. In a first step, the investment manager is entitled to receive subsequent distributions above the return hurdle as performance fees, until the investment manager "catches-up" on past performance in excess of the client investment ("catch-up" on $140 - 100 = 40$, and $40 \times 20\%$ performance fees = 8).

In a second step, the investment manager and the client will share any additional distributions that stem from the sale of the remaining portfolio over time, according to the pre-defined performance-sharing mechanism. In our example the client receives 80% of distributions and the investment manager receives 20%. The example assumes that the remaining NAV equals 60 and this entitles the investment manager to an additional performance fee of 12 ($60 \times 20\%$) should the portfolio be sold at the indicated value of 60.

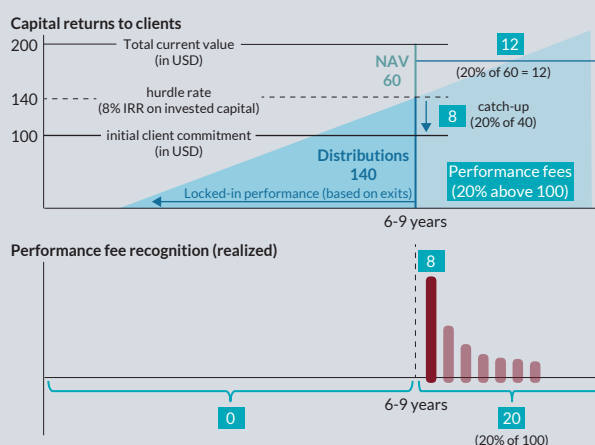
Total performance fees received by the manager are 20 (20% of $40 + 20\%$ of $60 = 8 + 12$) and clients receive 80% of profits ($80\% \times (200 - 100)$).

The timing and amount of performance fee payments depends on several factors, including the pace of deployment, performance of investments and pace of realizations (cash distributions). Partners Group recognizes performance fees once it is highly probable that performance fees will be received and retained permanently, irrespective of the subsequent performance of that program. This is described through the following steps:

- Step 1: we consider performance fees which would be due to realized investments only, considering the agreed profit-sharing mechanism, including the agreed hurdle return.
- Step 2: we consider performance fees expected on the aggregate program, i.e. on the combination of realized and unrealized investments. We include the value of unrealized investments with a significant discount (typically 50%, depending on the investment strategy). This discount is chosen such that performance fees are highly likely to be permanent, including in case of subsequent negative program development, i.e. such that the likelihood of a potential claw-back situation is minimal.
- Step 3: performance fees are only recognized on the lower of either realized investments (Step 1) or the combination of realized and stress-tested unrealized investments (Step 2)

The illustrative example below explains the conservative approach for performance fee recognition described above.

Performance fee model in a closed-ended investment program



Note: performance fees of performance fee generating investment programs and mandates typically range between 5-20% over a hurdle of 4-8% IRR on invested capital, depending on the program and instruments. For illustrative purposes only.

H1 2020 at a glance - Appendix

Illustrative example of performance fee recognition in a closed-ended program

This simplified example assumes that, with initial client commitments of 450, a fund made only two acquisitions: investment Y for 100 and investment Z for 350.

Furthermore, it is assumed that the value of investment Y increases to 200 and the value of investment Z increases to 800 for Scenarios 1 and 2, and to 500 for Scenario 3.

The performance fee recognition under these three scenarios would be as follows:

Scenario 1: No realizations (hurdle rate met)

Investment Y increases to	200
Investment Z increases to	800
Remaining NAV	1'000

- Step 1: as there were no realized investments, we would not be entitled to a performance fee. Performance fees = 0.
- Step 2: NAV stress-test: $1'000 \times 50\% = 500$; 500 (stress-tested NAV) – 450 (cost of investments Y and Z) = 50 (value gain); 50 (value gain) $\times 20\% = 10$ in performance fees.
- Step 3: as performance fees can only be recognized on the lower of realized investments (step 1: performance fee = 0) vis-à-vis the combination of realized and stress-tested unrealized investments (step 2: performance fee = 10), we would not recognize any performance fees.

Scenario 2: Investment Y realized (hurdle rate met)

Investment Y realized for	200
Investment Z increases to	800
Remaining NAV	800

- Step 1: as investment Y was realized for 200, we would be entitled to a performance fee as hurdle rate at asset level was met. $200 - 100 = 100$ (value gain); 100 (value gain) $\times 20\% = 20$ performance fees.
- Step 2: stress-test on remaining NAV: 800 (unrealized investment Y) $\times 50\% = 400$; 400 (stress-tested NAV) + 200 (realized investment Y) – 450 (cost of investment Y and Z) = 150 (value gain); 150 (value gain) $\times 20\% = 30$ performance fees.
- Step 3: as performance fees can only be recognized on the lower of realized investments (step 1: performance fee = 20) vis-à-vis the combination of realized and stress-tested unrealized investments (step 2: performance fee = 30), we would recognize 20 performance fees.

Scenario 3: Investment Y realized (hurdle rate not met)

Investment Y realized for	200
Investment Z increases to	500
Remaining NAV	500

- Step 1: as investment Y was realized for 200, we would be entitled to a performance fee as hurdle rate at asset level was met. $200 - 100 = 100$ (value gain); 100 (value gain) $\times 20\% = 20$ performance fees.
- Step 2: stress-test on remaining NAV: 500 (unrealized investment Y) $\times 50\% = 250$; 250 (stress-tested NAV) + 200 (realized investment Y) – 450 (cost of investment Y and Z) = 0 (value gain); as the stress-test brings the overall return hurdle of the program below the pre-agreed threshold in this example, no performance fees can be recognized.
- Step 3: as the hurdle rate has not been met, we will not recognize any performance fees, despite there being realized investments.

Key definitions and alternative performance metrics

Key definitions

Assets under management (AuM): Partners Group aims to mirror the fee basis for its various programs and mandates when calculating AuM. AuM covers programs, mandates and assets to which Partners Group renders (full or partial) fee-paying investment management or advisory services, and does not cover consultant, transaction or other ancillary services it may render to clients or assets from time to time. AuM is typically calculated as either i) the program size, ii) outstanding commitments to investments, iii) the net asset value or the outstanding principal of investments, or iv) the respective investment exposure.

The AuM basis is increased by the amount of assets raised that are based on i) subscriptions or ii) new fee-paying assets and amounts planned to be invested, which would become fee-paying assets in the following six months. Reductions in the AuM basis for mature programs i) may follow a fixed schedule, ii) can be based on the cost of realizing assets, or iii) may be the result of such programs being liquidated. The AuM basis is also reduced by redemptions on open-ended programs. Further changes in the AuM basis may be explained by factors such as performance or changes in FX rates.

Alternative performance metrics (APMs)

Partners Group uses various financial and alternative performance metrics (APM) to measure its financial performance as part of its financial reporting. The APMs used by Partners Group supplement the measures that are documented and published in accordance with International Financial Reporting Standards (IFRS). An APM is defined as a financial measure of historical or future financial performance, financial position or cash flows not already defined or specified in the applicable financial reporting framework.

APMs are predominantly operational management metrics and undergo regular performance reviews in both internal and external reporting. The resulting findings are considered a part of a strategy review process. We must point out that the comparability of APMs within the industry can be limited due to different calculation methods.

Partners Group uses the following APMs:

Earnings before interest and tax (EBIT) stands for the sum of revenues from management services, net, and other operating income and expenses before net financial result and before income taxes. This metric is used by Partners Group as the financial target in its internal presentations (business plans) and in its external presentations (to analysts and investors). EBIT is considered as a useful unit of measurement for evaluating the operating performance of the group.

EBIT margin is calculated as earnings before interest and tax (EBIT) divided by revenues from management services, net, and other operating income. It is one of the key operational management metrics as it provides an indication of the profitability of the business.

In millions of Swiss francs	H1 2019	H1 2020
EBIT	432	390
Revenues from management services, net, and other operating income	682	623
EBIT margin	63%	63%

Key definitions and alternative performance metrics

Earnings before interest, tax, depreciation and amortization (EBITDA) stands for the sum of revenues from management services, net, and other operating income and expenses before net financial result, before income taxes and before depreciation and amortization.

Net liquidity position is calculated as cash and cash equivalents and short-term loans to products, minus credit facilities drawn and long-term debt.

In millions of Swiss francs	Dec 2019	June 2020
Cash and cash equivalents	933	819
Short-term loans	900	589
Long-term debt	(799)	(799)
Net liquidity position	1'035	609

Revenue margin is calculated as (annualized) revenues from management services, net, and other operating income, divided by average assets under management (in CHF) calculated on a daily basis.

In millions of Swiss francs	FY 2019	H1 2020
Revenues from management services, net, and other operating income	1'610	623
Average assets under management (in CHF) calculated on a daily basis	88'440	92'209
Revenue margin	1.82%	1.35%

Management fee margin is calculated as (annualized) management fees and other revenues, net, and other operating income, divided by average assets under management (in CHF) calculated on a daily basis.

In millions of Swiss francs	FY 2019	H1 2020
Management fees and other revenues, net, and other operating income	1'138	567
Average assets under management (in CHF) calculated on a daily basis	88'440	92'209
Revenue margin	1.29%	1.23%

Return on average shareholders' equity (RoE) is calculated as (annualized) profit for the period, divided by average equity attributable to owners of the Company.

In millions of Swiss francs	H1 2019	H1 2020
Profit for the period	397	313
Average equity attributable to owners of the Company	1'943	2'010
Return on equity	41%	31%

Condensed interim consolidated income statement

– unaudited

In millions of Swiss francs	Note	Six months ended 30 June	
		2020	2019
Management fees and other revenues, net		548.0	522.6
Performance fees, net		55.7	130.4
Revenues from management services, net	2.	603.7	653.0
Other operating income		18.9	29.0
Personnel expenses	3.1.	(178.3)	(200.7)
Other operating expenses	3.3.	(35.2)	(34.6)
EBITDA ¹⁾		409.1	446.7
Depreciation and amortization		(18.9)	(15.2)
EBIT ¹⁾		390.2	431.5
Finance income	4.1.	7.0	34.1
Finance expense	4.1.	(30.6)	(11.6)
Profit before tax		366.6	454.0
Income tax expense		(53.5)	(57.4)
Profit for the period		313.1	396.6
Profit for the period attributable to owners of the Company		313.1	396.6
Basic earnings per share (in Swiss francs)		11.71	14.91
Diluted earnings per share (in Swiss francs)		11.65	14.80

¹⁾ For definitions please refer to p. 22.

Condensed interim consolidated statement of comprehensive income – unaudited

In millions of Swiss francs	Six months ended 30 June	
	2020	2019
Profit for the period	313.1	396.6
Other comprehensive income:		
Exchange differences on translating foreign operations	(61.3)	(22.7)
Total other comprehensive income that may be reclassified to the income statement in subsequent periods	(61.3)	(22.7)
Net actuarial gains/(losses) from defined benefit plans	(3.3)	(0.3)
Tax impact on net actuarial gains/losses from defined benefit plans	0.4	0.0
Actuarial gains/(losses) from defined benefit plans, net of tax	(2.9)	(0.3)
Total other comprehensive income not being reclassified to the income statement in subsequent periods, net of tax	(2.9)	(0.3)
Total other comprehensive income for the period, net of tax	(64.2)	(23.0)
Total comprehensive income for the period, net of tax	248.9	373.6
Total comprehensive income attributable to owners of the Company	248.9	373.6

Condensed interim consolidated balance sheet

– unaudited

In millions of Swiss francs	Note	30 June 2020	31 December 2019
Assets			
Cash and cash equivalents		819.1	933.0
Trade and other receivables	4.4.	452.5	651.9
Short-term loans		588.9	900.2
Assets held for sale		242.1	175.4
Total current assets		2'102.6	2'660.5
Property, equipment and right-of-use assets		231.6	237.2
Intangible assets		63.7	68.8
Investments in associates	5.	28.8	42.1
Financial investments	4.2.	571.9	605.3
Other financial assets	4.4.	391.8	292.0
Deferred tax assets		42.2	43.8
Total non-current assets		1'330.0	1'289.2
Total assets		3'432.6	3'949.7

Condensed interim consolidated balance sheet

– unaudited

In millions of Swiss francs	Note	30 June 2020	31 December 2019
Liabilities and equity			
Liabilities			
Trade and other payables	4.5.	199.8	179.2
Income tax liabilities		99.2	83.4
Provisions		3.0	3.4
Employee benefit liabilities	3.2.	96.1	161.7
Liabilities held for sale		192.7	114.3
Total current liabilities		590.8	542.0
Employee benefit liabilities	3.2.	190.3	208.6
Provisions		6.9	6.7
Deferred tax liabilities		2.3	4.0
Long-term debt	6.	798.8	798.6
Lease liabilities		50.5	55.2
Other long-term liabilities		61.2	46.5
Total non-current liabilities		1'110.0	1'119.6
Total liabilities		1'700.8	1'661.6
Equity			
Share capital	7.	0.3	0.3
Treasury shares		(357.8)	(212.9)
Legal reserves		0.2	0.2
Other components of equity		2'089.1	2'500.5
Equity attributable to owners of the Company		1'731.8	2'288.1
Total liabilities and equity		3'432.6	3'949.7

Condensed interim consolidated statement of changes in equity – unaudited

In millions of Swiss francs		Equity attributable to owners of the Company					2020
				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	0.3	(212.9)	0.2	(129.4)	2'629.9	2'500.5	2'288.1
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		(173.0)					(173.0)
Disposal of treasury shares		28.1			(9.5)	(9.5)	18.6
Share-based payment expenses					24.5	24.5	24.5
Tax effect on share-based payment and treasury share transactions					(6.9)	(6.9)	(6.9)
Dividends paid to owners of the Company					(668.4)	(668.4)	(668.4)
Total contributions by and (distributions to) owners of the Company	-	(144.9)	-	-	(660.3)	(660.3)	(805.2)
Profit for the period					313.1	313.1	313.1
Total other comprehensive income for the period, net of tax	-	-	-	(61.3)	(2.9)	(64.2)	(64.2)
Total comprehensive income for the period, net of tax	-	-	-	(61.3)	310.2	248.9	248.9
Balance as of 30 June	0.3	(357.8)	0.2	(190.7)	2'279.8	2'089.1	1'731.8

Condensed interim consolidated statement of changes in equity – unaudited

In millions of Swiss francs			Equity attributable to owners of the Company				2019
	Share capital	Treasury shares	Legal reserves	Other components of equity		Total other components of equity	Total
				Translation reserves	Retained earnings		
Balance as of 1 January	0.3	(143.6)	0.2	(93.3)	2'204.3	2'111.0	1'967.9
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		(265.6)					(265.6)
Disposal of treasury shares		301.8			(23.2)	(23.2)	278.6
Reversal of contractual obligation to purchase treasury shares					110.0	110.0	110.0
Share-based payment expenses					26.5	26.5	26.5
Tax effect on share-based payment and treasury share transactions					13.1	13.1	13.1
Dividends paid to owners of the Company					(585.4)	(585.4)	(585.4)
Total contributions by and (distributions to) owners of the Company	-	36.2	-	-	(459.0)	(459.0)	(422.8)
Profit for the period					396.6	396.6	396.6
Total other comprehensive income for the period, net of tax	-	-	-	(22.7)	(0.3)	(23.0)	(23.0)
Total comprehensive income for the period, net of tax	-	-	-	(22.7)	396.3	373.6	373.6
Balance as of 30 June	0.3	(107.4)	0.2	(116.0)	2'141.6	2'025.6	1'918.7

For further information related to the contractual obligation to purchase treasury shares, please refer to note 7.

Condensed interim consolidated statement of cash flows

– unaudited

In millions of Swiss francs	Note	Six months ended 30 June	
		2020	2019
Operating activities			
Profit for the period		313.1	396.6
<i>Adjustments:</i>			
Net finance (income) and expense	4.1.	23.6	(22.5)
Income tax expense		53.5	57.4
Depreciation and amortization		18.9	15.2
Share-based payment expenses		24.5	26.5
Change in provisions		(0.2)	0.0
Change in employee benefit assets/liabilities		(80.9)	(43.0)
Non-cash change in other financial assets		(101.8)	7.6
Non-cash change in other long-term liabilities		15.2	5.9
Operating cash flow before changes in working capital		265.9	443.7
(Increase)/decrease in trade and other receivables and short-term loans		481.9	(511.0)
Increase/(decrease) in trade and other payables		28.9	44.8
Finance expenses (other than interest) paid		(1.5)	(0.9)
Cash generated from/(used in) operating activities		775.2	(23.4)
Income tax paid		(41.7)	(96.0)
Net cash from/(used in) operating activities		733.5	(119.4)
Investing activities			
Purchase of property and equipment		(7.7)	(35.2)
Purchase of intangible assets		(4.3)	(4.5)
Purchase of financial investments & assets and liabilities held for sale		(39.2)	(56.2)
Proceeds on disposal of financial investments & assets and liabilities held for sale		41.3	45.4
Proceeds on disposal of investments in associates	5.	9.9	9.4
Purchase of other financial assets		(7.1)	(8.8)
Proceeds on disposal of other financial assets		0.6	2.8
Interest received	4.1.	2.0	1.3
Net cash from/(used in) investing activities		(4.5)	(45.8)

Total interest received amounts to CHF 18.1 million (30 June 2019: 28.9 million)

Condensed interim consolidated statement of cash flows

– unaudited

In millions of Swiss francs	Note	Six months ended 30 June	
		2020	2019
Financing activities			
Repayments of credit facilities		(375.0)	(310.0)
Drawdowns from credit facilities		375.0	430.0
Issuance of long-term debts	6.	-	499.1
Payment of principal portion of lease liabilities		(6.8)	(6.3)
Interest paid		(4.0)	(2.5)
Dividends paid to shareholders of the Company	7.	(668.4)	(585.4)
Purchase of treasury shares		(173.0)	(265.7)
Disposal of treasury shares		18.6	278.5
Net cash from/(used in) financing activities		(833.6)	37.7
Net increase/(decrease) in cash and cash equivalents		(104.6)	(127.5)
Cash and cash equivalents as of 1 January		933.0	412.2
Exchange differences on cash and cash equivalents		(9.3)	(1.8)
Cash and cash equivalents as of 30 June		819.1	282.9

Notes to the condensed interim consolidated financial statements – unaudited

1. General information

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 condensed interim consolidated financial statements for the six months ended 30 June 2020 and 2019 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates. The condensed interim consolidated financial statements were authorized for issue by the Board of Directors ("BoD") on 26 August 2020.

2. 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 provides its clientele with investment services in the private markets spectrum. These services comprise structuring and investment advisory in relation to direct investments in operating companies or assets and investments in third party managed investment programs. As part of its management services, the Group offers diversified as well as more focused investment programs in relation to investment styles, industry and geography of the investments in private markets.

Notes to the condensed interim consolidated financial statements – unaudited

In millions of Swiss francs					Six months ended 30 June 2020		
	Operating segments						
	Private equity	Private debt	Private real estate	Private infrastructure	Total reportable segments	Unallocated	Total
Management fees and other revenues	359.7	85.6	112.8	83.4	641.5	-	641.5
Revenue deductions related to management fees and other revenues	(48.0)	(8.6)	(24.5)	(12.4)	(93.5)	-	(93.5)
Performance fees	50.4	5.2	-	3.4	59.0	-	59.0
Revenue deductions related to performance fees	(3.2)	(0.1)	-	-	(3.3)	-	(3.3)
Revenues from management services, net	358.9	82.1	88.3	74.4	603.7	-	603.7
Other operating income	7.4	1.8	5.0	4.6	18.8	0.1	18.9
Revenues and other operating income	366.3	83.9	93.3	79.0	622.5	0.1	622.6
Personnel expenses	(24.0)	(15.4)	(10.8)	(10.9)	(61.1)	(117.2)	(178.3)
Other operating expenses	(2.1)	(0.8)	(0.9)	(1.0)	(4.8)	(30.4)	(35.2)
Gross segment result before depreciation and amortization	340.2	67.7	81.6	67.1	556.6	(147.5)	409.1
Depreciation and amortization	-	-	-	-	-	(18.9)	(18.9)
Gross segment result	340.2	67.7	81.6	67.1	556.6	(166.4)	390.2
<i>Reconciliation to profit for the period:</i>							
Net finance income and expense							(23.6)
Income tax expense							(53.5)
Profit for the period							313.1

Notes to the condensed interim consolidated financial statements – unaudited

In millions of Swiss francs					Six months ended 30 June 2019		
	Operating segments						
	Private equity	Private debt	Private real estate	Private infrastructure	Total reportable segments	Unallocated	Total
Management fees and other revenues	353.0	83.3	93.1	76.8	606.2	0.5	606.7
Revenue deductions related to management fees and other revenues	(51.0)	(8.0)	(16.3)	(8.8)	(84.1)	-	(84.1)
Performance fees	112.8	12.2	6.6	4.6	136.2	-	136.2
Revenue deductions related to performance fees	(5.4)	(0.1)	(0.2)	(0.1)	(5.8)	-	(5.8)
Revenues from management services, net	409.4	87.4	83.2	72.5	652.5	0.5	653.0
Other operating income	6.3	4.1	9.1	6.6	26.1	2.9	29.0
Revenues and other operating income	415.7	91.5	92.3	79.1	678.6	3.4	682.0
Personnel expenses	(37.2)	(13.9)	(13.7)	(13.9)	(78.7)	(122.0)	(200.7)
Other operating expenses	(2.2)	(1.6)	(0.6)	(0.7)	(5.1)	(29.5)	(34.6)
Gross segment result before depreciation and amortization	376.3	76.0	78.0	64.5	594.8	(148.1)	446.7
Depreciation and amortization	-	-	-	-	-	(15.2)	(15.2)
Gross segment result	376.3	76.0	78.0	64.5	594.8	(163.3)	431.5
Reconciliation to profit for the period:							
Net finance income and expense							22.5
Income tax expense							(57.4)
Profit for the period							396.6

Management fees and other revenues

The Group earns investment management fees from discretionary investment programs, typically based on long-term contracts. The fees are often based on the investment exposure of investors in the 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 over time, 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 a structure. The structuring of the relevant investment programs represents a separate performance obligation of the Group, and therefore revenue is recognized at the point in time when 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 when the execution of the transaction is completed.

Notes to the condensed interim consolidated financial statements – unaudited

Performance fees

Typically, performance fees are recognized so that they do not exceed the portion of performance fees from realized investments and so that there is a sufficient 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.

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 investments as well as of fully written-off investments are deducted ("Net Proceeds"). (2) The NAV of unrealized investments is determined and written down (in a so-called "Write-Down Test") to the extent that the probability of a future claw-back becomes minimal. Then, the corresponding costs of such unrealized investments are deducted, resulting in a "Write-Down NAV". This Write-Down 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, if the value is positive.

On a quarterly basis, the Write-Down Test is applied to all private markets investment programs with a claw-back. The discount applied in the Write-Down Test may vary from investment program to investment program and considers specific risk characteristics, including macroeconomic, (geo-)political and investment program-specific risk factors. The discount applied in the Write-Down Test is regularly assessed by the Group and reviewed by the Board of Directors. As of 30 June 2020, the applied discount was 50% (30 June 2019: 50%).

The Group updates its performance fee recognition on a quarterly basis to faithfully represent the circumstances present at that point in time. When the probability of no reversal of previously recognized performance fees is no longer considered highly probable, the Group recognizes the necessary reversals.

3. Remuneration and other operating expenses

3.1. Personnel expenses

In millions of Swiss francs	Six months ended 30 June	
	2020	2019
Salaries and cash bonus	(125.7)	(121.1)
Share-based payment expenses	(24.5)	(26.5)
Other long-term benefits (management carry program)	(6.2)	(28.1)
Retirement schemes - defined contribution plans	(8.6)	(7.9)
Retirement schemes - defined benefit plans	(2.3)	(1.8)
Other social security expenses	(3.1)	(6.8)
Other personnel expenses	(7.9)	(8.5)
Total personnel expenses	(178.3)	(200.7)

The average number of employees during the reporting period was 1'504 (six months ended 30 June 2019: 1'267), which is equivalent to 1'492 full-time employees (six months ended 30 June 2019: 1'254).

Notes to the condensed interim consolidated financial statements – unaudited

3.2. Employee benefits

In millions of Swiss francs	30 June 2020	31 December 2019
Defined benefit plan	(6.3)	(2.4)
Accrued variable compensation (cash bonus)	(108.1)	(157.5)
Management Carry Plan	(154.0)	(196.0)
Other employee benefit liabilities	(18.0)	(14.4)
Total net employee benefit liabilities	(286.4)	(370.3)
Current liabilities	(96.1)	(161.7)
Non-current liabilities	(190.3)	(208.6)
Balance as of end of period	(286.4)	(370.3)

Performance fee related compensation

Each year, the Nomination & Compensation Committee ("NCC") allocates up to 40% of recognized performance fees to the Performance Fee Compensation Pool which is then distributed to an eligible group of employees.

The promise represents a constructive obligation towards the eligible group of employees. The pool is allocated to the individual employees via the MCP and the MPP with the remainder, i.e. the difference between the Performance Fee Compensation Pool and the MCP/MPP allocations, being allocated via the Performance Fee Bonus Pool.

For the six months ended 30 June 2020, performance fees recognized in the condensed interim consolidated income statement amounted to CHF 55.7 million (six months ended 30 June 2019: CHF 130.4 million), of which CHF 7.4 million (six months ended 30 June 2019: CHF 29.9 million) was allocated via the MCP allocation (including social securities) and CHF 14.6 million (six months ended 30 June 2019: CHF 22.3 million) via the Performance Fee Bonus Pool allocation. For the six months ended 30 June 2020, the total payout amounted to CHF 94.6 million for all schemes (six months ended 30 June 2019: CHF 90.8 million).

3.3. Other operating expenses

In millions of Swiss francs	30 June 2020	30 June 2019
Third-party services	(9.1)	(8.2)
Property-related costs	(2.4)	(2.6)
Administrative expenses	(12.7)	(12.4)
Travel and representation expenses	(5.8)	(11.4)
Pandemic-related costs	(5.2)	-
Total other operating expenses	(35.2)	(34.6)

Notes to the condensed interim consolidated financial statements – unaudited

4. Finance result, investments, working capital, other financial assets and fair value measurement

4.1. Finance income and expense

In millions of Swiss francs	Note	Six months ended 30 June	
		2020	2019
Interest income calculated using the effective interest rate method		2.0	1.3
Net gains on fair value through profit or loss instruments		-	29.5
Share of results of associates (Pearl)	5.	-	3.2
Other finance income		-	0.1
Net exchange differences		5.0	-
Total finance income		7.0	34.1
Interest expense calculated using the effective interest rate method		(4.0)	(2.5)
Net losses on fair value through profit or loss instruments		(22.6)	-
Share of results of associates (Pearl)	5.	(2.5)	-
Other finance expense		(1.5)	(1.2)
Net exchange differences		-	(7.9)
Total finance expense		(30.6)	(11.6)
Total net finance income and (expense)		(23.6)	22.5

4.2. 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 in the condensed interim consolidated income statement.

In millions of Swiss francs	30 June 2020	31 December 2019
Balance as of 1 January	605.3	554.0
Additions	39.2	91.8
Distributions/disposals	(32.4)	(86.8)
Change in fair value of investments held at period end	(20.7)	58.6
Exchange differences	(19.5)	(12.3)
Balance as of end of period	571.9	605.3

Notes to the condensed interim consolidated financial statements – unaudited

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

In millions of Swiss francs	30 June 2020	31 December 2019
Private equity	245.7	272.8
Private debt	213.3	217.6
Private real estate	60.5	59.4
Private infrastructure	52.4	55.5
Total financial investments	571.9	605.3

4.3. Capital commitments

As of 30 June 2020, the Group had capital commitment contracts of CHF 730.6 million (31 December 2019: CHF 705.8 million), of which CHF 271.3 million (31 December 2019: CHF 250.0 million) was not yet called by the relevant investment manager. Capital commitments are called over time, typically between one to five years following the subscription of the commitment. Capital commitments are not considered to be a financial liability as the commitments do not constitute any obligation to pay cash until the capital is called.

4.4. Trade and other receivables and other financial assets

Trade and other receivables

In millions of Swiss francs	30 June 2020	31 December 2019
Marketable securities	0.0	0.0
Fees receivable	262.8	228.5
Other receivables	14.4	7.7
Accrued income	171.8	405.3
Derivative assets held for risk management	3.5	10.4
Total trade and other receivables	452.5	651.9

The COVID-19 pandemic did not change the Group's assessment with regard to the credit risk related to trade and other receivables. As of 30 June 2020, there is no substantial concentration of credit risk and the Group considers the probability of default to be very remote. No material receivables were overdue as of the reporting date (31 December 2019: none).

Other financial assets

In millions of Swiss francs	30 June 2020	31 December 2019
Long-term accrued revenues	328.6	230.9
Long-term loans	60.6	58.6
Other	2.6	2.5
Total other financial assets	391.8	292.0

The increase in other financial assets to CHF 391.8 million (31 December 2019: CHF 292.0 million) mainly resulted from recognized, but not yet invoiced, performance fees which are not expected to be settled within twelve months (typically in closed-ended structures). While the Group recognizes performance fees based on the mechanism described in note 2, the timing of settlement depends on pre-defined conditions with clients at the time when their initial contract is formed. These conditions must be fulfilled before performance fees are settled. The expected timing of settlements is updated at the end of each reporting period. As of 30 June 2020, long-term accrued revenues increased by CHF 97.7 million as the Group expects a delay of settlements in the current market environment due to COVID-19. This resulted in a shift from trade and other receivables to other financial assets.

Notes to the condensed interim consolidated financial statements – unaudited

4.5. Trade and other payables

In millions of Swiss francs	30 June 2020	31 December 2019
Trade payables	87.1	55.9
Goods and services received not yet invoiced	8.6	12.3
Derivative liabilities held for risk management	1.0	1.5
Accrued revenue deductions	57.7	63.6
Cash collateral for forward contracts	3.9	5.2
Lease liabilities	10.6	12.4
Other payables	30.9	28.3
Total trade and other payables	199.8	179.2

4.6. Fair value measurement

Fair value is the price that would be received by selling an asset or paid to transfer a liability in an orderly transaction between knowledgeable 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 millions of Swiss francs	30 June 2020			
	Level 1	Level 2	Level 3	Total
Marketable securities ¹⁾	0.0			0.0
Derivative assets held for risk management ¹⁾		3.5		3.5
Assets held for sale			242.1	242.1
Financial investments			571.9	571.9
Financial assets	0.0	3.5	814.0	817.5
Derivative liabilities held for risk management ²⁾		1.0		1.0
Liabilities held for sale			192.7	192.7
Other long-term liabilities			0.7	0.7
Financial liabilities	-	1.0	193.4	194.4

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

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

Notes to the condensed interim consolidated financial statements – unaudited

In millions of Swiss francs				31 December 2019
	Level 1	Level 2	Level 3	Total
Marketable securities ¹⁾	0.0			0.0
Derivative assets held for risk management ¹⁾		10.4		10.4
Assets held for sale			175.4	175.4
Financial investments			605.3	605.3
Financial assets	0.0	10.4	780.7	791.1
Derivative liabilities held for risk management ²⁾		1.5		1.5
Liabilities held for sale			114.3	114.3
Other long-term liabilities			0.8	0.8
Financial liabilities	-	1.5	115.1	116.6

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

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

The carrying amounts for cash and cash equivalents, trade and other receivables, short-term loans, and trade and other payables are expected to approximate their fair values given the short-term nature of these financial instruments. The carrying amounts for other financial assets and the remaining other long-term liabilities are expected to approximate their fair values since time values do not materially differ (level 3 input).

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

In millions of Swiss francs			30 June 2020
	Financial assets	Financial liabilities	
Balance as of 1 January	780.7	115.1	
Purchases	111.1	71.9	
Sales	(41.3)	-	
Change in fair value ¹⁾	(12.3)	10.2	
Exchange differences	(24.2)	(3.8)	
Balance as of end of period	814.0	193.4	

In millions of Swiss francs			31 December 2019
	Financial assets	Financial liabilities	
Balance as of 1 January	645.0	54.9	
Purchases	200.4	65.3	
Sales	(105.9)	(1.7)	
Change in fair value ¹⁾	58.2	-	
Exchange differences	(17.0)	(3.4)	
Balance as of end of period	780.7	115.1	

¹⁾ Presented in the line items finance income and finance expense in the condensed interim consolidated income statement.

There were no transfers between levels.

Notes to the condensed interim consolidated financial statements – unaudited

Sensitivity of fair values

From a Group perspective, the fair value of financial investments and assets and liabilities held for sale is typically dependent on the adjusted net asset values of the investment programs. A reasonably 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 millions of Swiss francs	30 June 2020	31 December 2019
Adjusted net asset value (1% increase)	6.2	6.7

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 of its financial investments, assets and liabilities held for sale. Due to the broad range and number of unobservable input factors used in the valuation of the investment programs' direct investments, particularly concerning the EBITDA multiple, a sensitivity analysis on these underlying unobservable input factors does not result in meaningful outcomes.

5. Investments in associates

The Group accounted for investments in associates as of 30 June 2020 as summarized below:

In millions of Swiss francs	Principal activity	Fair value	Carrying value	Ownership
Pearl Holding Limited, Guernsey ("Pearl")	Private equity investments	28.3	28.3	28%
LGT Private Equity Advisers, Liechtenstein ("LGT")	Asset management	0.5	0.5	40%
Total investments in associates			28.8	

In millions of Swiss francs	30 June 2020	31 December 2019
Balance as of 1 January	42.1	55.0
Redemption of shares (Pearl)	(9.9)	(13.7)
Share of results (Pearl)	(2.5)	2.8
Share of results (LGT)	0.0	0.0
Exchange differences	(0.9)	(2.0)
Balance as of end of period	28.8	42.1

Notes to the condensed interim consolidated financial statements – unaudited

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

In millions of Swiss francs	Pearl		LGT	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Total assets	104.8	149.4	1.5	1.8
Total liabilities	4.2	1.6	0.3	0.6
Equity	100.6	147.8	1.2	1.2
Revenues and other operating income	(7.0)	15.3	0.7	2.1
Profit/(loss) for the period	(8.9)	10.1	0.0	0.0

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

6. Long-term debt

In millions of Swiss francs	30 June 2020	31 December 2019
Balance as of 1 January	798.6	299.4
Issuance of long-term debts	-	499.1
Accreted interest	0.2	0.1
Balance as of end of period	798.8	798.6

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

ISIN	Date of issue	Face value in millions of CHF	Coupon in %	Year of maturity	Issue price in %	Redemption price in %
CH0361532895	7 June 2017	300.0	0.150%	2024	100.052%	100.000%
CH0419041287	21 June 2019	500.0	0.400%	2027	100.098%	100.000%

The fair values of the corporate bonds as of 30 June 2020 were CHF 300.6 million and CHF 501.5 million, respectively (31 December 2019: CHF 301.8 million and CHF 515.0 million, respectively) and were determined by the quoted market price (level 1 input).

7. Share capital and reserves

In effective number of shares	30 June 2020	30 June 2019
Issued as of 1 January	26'700'000	26'700'000
Issued during the period	-	-
Issued as of 30 June - fully paid in	26'700'000	26'700'000

The issued share capital of the Company comprises 26'700'000 registered shares (30 June 2019: 26'700'000) at CHF 0.01 nominal value each. The shareholders are entitled to receive dividends, as declared from time to time, and are entitled to one vote per share at shareholder meetings of the Company.

Notes to the condensed interim consolidated financial statements – unaudited

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			2020
	Shares issued	Treasury shares	Shares outstanding
Balance as of 1 January	26'700'000	278'645	26'421'355
Purchase of treasury shares		236'463	(236'463)
Disposal of treasury shares		(36'404)	36'404
Balance as of 30 June	26'700'000	478'704	26'221'296
Weighted average number of shares outstanding during the period (180 days)			26'730'539

In effective number of shares			2019
	Shares issued	Treasury shares	Shares outstanding
Balance as of 1 January	26'700'000	207'805	26'492'195
Purchase of treasury shares		373'988	(373'988)
Disposal of treasury shares		(434'105)	434'105
Balance as of 30 June	26'700'000	147'688	26'552'312
Weighted average number of shares outstanding during the period (180 days)			26'600'517

As of 30 June 2020, the Group had 1'504'041 options and non-vested shares outstanding (30 June 2019: 1'359'474). The treasury shares necessary to cover the obligation for non-vested shares have already been placed in separate escrow accounts in the names of the employees. Thus, the number of treasury shares is already net of non-vested shares outstanding.

Dividends

The Company pays a dividend once per financial year following the approval of the appropriation of available earnings by the owners of the Company at the annual general meeting, typically held in May. The Company paid a dividend of CHF 25.50 per share on 19 May 2020 (21 May 2019: CHF 22). As the Company's treasury shares are not eligible for a dividend payment, the dividend distribution of CHF 680.9 million approved in May 2020 (May 2019: CHF 587.4 million) was not fully distributed, i.e. a total of CHF 668.4 million was paid out (May 2019: 585.4 million).

Contractual obligation to purchase treasury shares

In 2018, the Company entered into an agreement with an executive committee member to purchase some of its registered shares at arm's length. The maximum transaction value amounted to CHF 110 million and was recorded in equity. As the arithmetic average of the daily VWAPs (volume weighted average prices) of PGHN shares traded over the SIX Swiss Exchange during the period starting on 21 January 2019 and ending 15 February 2019 was below the agreed threshold of CHF 700, the transaction did not take place and was reversed through equity in the first six months of 2019.

Notes to the condensed interim consolidated financial statements – unaudited

8. Subsequent events

No events took place between 30 June 2020 and 26 August 2020 that would require material adjustments to the amounts recognized in these condensed interim consolidated financial statements.

9. Summary of significant accounting policies

9.1. Basis of preparation

The unaudited condensed interim consolidated financial statements present a true and fair view of the Group's financial position, results of operations and cash flows in accordance with IAS 34, "Interim Financial Reporting" and comply with Swiss law. They do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

9.2. Standards, amendments and interpretations effective for the first time

The accounting policies applied for the period of the first six months of 2020 are consistent with those of the previous financial year. A number of new standards became effective on 1 January 2020, but they do not have a material effect on the Group's condensed interim consolidated financial statements.

Amendments and interpretations

The following amendments and interpretations have been applied for the first time but have no significant impact on the Group's condensed interim consolidated financial statements:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)

Notes to the condensed interim consolidated financial statements – unaudited

9.3. 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 condensed interim consolidated financial statements were authorized for issue, but are not yet effective and are not adopted early in these condensed interim consolidated financial statements. Their impacts on the condensed interim consolidated financial statements of the Group have not yet been systematically analyzed. The expected impacts as disclosed in the table below reflect a first assessment by the Group's management.

Standard		Effective date	Planned adoption by the Group
New standards or interpretations			
IFRS 17, "Insurance Contracts"	*	1 January 2023	Reporting year 2023
Revision and amendments of standards and interpretations			
COVID-19-Related Rent Concessions (Amendments to IFRS 16)	*	1 June 2020	Reporting year 2020
Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)	*	1 January 2022	Reporting year 2022
Annual Improvements to IFRS Standards 2018-2020	*	1 January 2022	Reporting year 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	*	1 January 2022	Reporting year 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	*	1 January 2022	Reporting year 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	*	1 January 2023	Reporting year 2023
Amendments to IFRS 17	*	1 January 2023	Reporting year 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	*	Available for optional adoption / effective date deferred indefinitely	

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

Notes to the condensed interim consolidated financial statements – unaudited

9.4. Incorporation of new Group entities

Name	Incorporation date	Principal activity
Partners Group Property AG, Switzerland	4 June 2019	Purchase, sale, construction, reconstruction, maintenance and management of real estate
Partners Group Management VI (USD) S.à.r.l., Luxembourg	14 January 2019	Serve as investment manager
Partners Group Management V (GBP) S.à.r.l., Luxembourg	14 January 2019	Serve as investment manager
Partners Group Management IV (EUR) S.à.r.l., Luxembourg	14 January 2019	Serve as investment manager
Partners Group US Management III LLC, Delaware (USA)	7 January 2019	Serve as investment manager

9.5. Applied foreign currency exchange rates

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

Year	Currency	Balance sheet rate 30 June 2020	Average rate Six months ended 30 June 2020
2020	EUR	1.0640	1.0640
	USD	0.9476	0.9660
	GBP	1.1710	1.2179
	SGD	0.6791	0.6908

Year	Currency	Balance sheet rate 31 December 2019	Average rate Six months ended 30 June 2019
2019	EUR	1.0872	1.1291
	USD	0.9684	0.9997
	GBP	1.2827	1.2935
	SGD	0.7202	0.7356

Contacts

Shareholder relations contact

shareholders@partnersgroup.com

Media relations contact

media@partnersgroup.com

partnersgroup@partnersgroup.com

www.partnersgroup.com

Follow us on LinkedIn 

Follow us on Twitter 

Follow us on YouTube 

Zug

Zugerstrasse 57
6341 Baar-Zug
Switzerland
T +41 41 784 60 00

Denver

1200 Entrepreneurial Drive
Broomfield, CO 80021
USA
T +1 303 606 3600

Houston

Williams Tower
2800 Post Oak Blvd., Suite 5880
Houston, TX 77056
USA
T +1 346 701 3900

Toronto

Exchange Tower
130 King Street West, Suite 1843
Toronto, ON M5X 1E3
Canada
T +1 416 865 2033

New York

The Grace Building
1114 Avenue of the Americas, 41st Floor
New York, NY 10036
USA
T +1 212 908 2600

São Paulo

Rua Joaquim Floriano 1120, 11º andar
CEP 04534-004, São Paulo - SP
Brazil
T +55 11 3528 6500

London

110 Bishopsgate, 14th Floor
London EC2N 4AY
United Kingdom
T +44 20 7575 2500

Guernsey

P.O. Box 477
Tudor House, Le Bordage
St Peter Port, Guernsey
Channel Islands, GY1 6BD
T +44 1481 711 690

Paris

29-31 rue Saint Augustin
75002 Paris
France
T + 33 1 70 99 30 00

Luxembourg

35D, avenue J.F. Kennedy
L-1855 Luxembourg
B.P. 2178
L-1021 Luxembourg
T +352 27 48 28 1

Milan

Via della Moscova 3
20121 Milan
Italy
T +39 02 888 369 1

Munich

Skygarden im Arnulfpark
Erika-Mann-Str. 7
80636 Munich
Germany
T +49 89 38 38 92 0

Dubai

Dubai international Financial Centre
Gate Building, Level 15, Office 55
P.O.Box 121208
Dubai UAE
T +971 4 401 9143

Mumbai

Suite 3103, Four Seasons Hotel
Plot No. 1/136, Dr. E Moses Road, Worli
Mumbai 400 018
India
T +91 22 4289 4200

Singapore

8 Marina View
Asia Square Tower 1 #37-01
Singapore 018960
T +65 6671 3500

Manila

18/F Seven/NEO Building
5th Avenue Corner 26th Street
Bonifacio Global City, Taguig
Metro Manila 1634
Philippines
T +63 2804 7100

Shanghai

Unit 1904-1906A, Level 19
Tower I, Jing An Kerry Center
No. 1515 West Nanjing Road
Jing An District, Shanghai 200040
China
T +86 21 2221 8666

Seoul

25th Fl. (Gangnam Finance Center,
Yeoksam-Dong) 152 Teheranro
Gangnam-Gu, Seoul 06236
South Korea
T +82 2 6190 7000

Tokyo

Daido Seimei Kasumigaseki Bldg. 5F
1-4-2 Kasumigaseki, Chiyoda-ku
Tokyo 100-0013
Japan
T +81 3 5532 2030

Sydney

L32, Deutsche Bank Place
126 Phillip Street
Sydney, NSW 2000
Australia
T +61 2 8216 1900



Partners Group

REALIZING POTENTIAL IN PRIVATE MARKETS