



Partners Group

REALIZING POTENTIAL IN PRIVATE MARKETS

Press release

Baar-Zug, Switzerland, 23 January 2017

Partners Group research shows an allocation to private markets could meaningfully enhance the performance of DC pension portfolios

A research paper published today by Partners Group, the global private markets investment manager, illustrates how a relatively modest allocation to private markets in a typical defined contribution (DC) pension plan could potentially have a significant positive impact on the income at retirement for beneficiaries.

The paper, *Adding private markets to DC pension plan portfolios – a case study*, compares the performance of a hypothetical 'standard' DC portfolio, invested only in bonds and public equities, to that of a hypothetical private markets-enhanced DC portfolio, which includes a relatively modest allocation to private markets (averaging 16% of the portfolio over the duration).¹ The paper includes both backward- and forward-looking analyses using a typical DC 'glidepath', in which a portfolio is over-weighted to growth-oriented assets at the outset of saving and transitions to an income-oriented asset overweight as retirement begins.

Using performance inputs from broadly accepted asset class benchmark indices, the historical analysis shows that the private markets-enhanced DC portfolio could in theory have resulted in a net monthly retirement income more than 15% higher than the monthly income generated by the 'standard' DC portfolio for an individual beneficiary starting pension contributions in 1975. The forward-looking analysis yields an even larger gap between the performance of the private markets-enhanced portfolio and the standard portfolio.

Roberto Cagnati, Managing Director and Head of Portfolio and Mandate Solutions at Partners Group, states: "We acknowledge that there is no 'one-size-fits-all' solution when it comes to including private markets in DC pension plans. However, our paper amply demonstrates the potential positive benefits of including an allocation to private markets within a DC pension portfolio, not only on retirement outcomes, but also in terms of reducing the volatility of a long-term investment portfolio and

¹ A detailed explanation of the calculations, data, benchmarks and assumptions used is included in the report, which can be accessed at: www.partnersgroup.com/research.

mitigating the number one risk of DC pension investing, which is that return targets are missed altogether and retirement outcomes are insufficient."

Joanna Asfour, Senior Vice President and Global Head of Consultant Relations at Partners Group, adds: "Early studies have shown that DC pension plans are lagging defined benefit plans in terms of performance. We believe that the relative underweight to private markets in DC plans is a significant factor in this performance lag – a theory that this paper supports. Until recently, there were significant operational hurdles preventing private markets investment managers from developing funds for the DC market globally. However, Partners Group and a handful of other managers have overcome these hurdles and we expect private markets to play a key role in shaping DC pension outcomes in the future."

For a full copy of the report, please go to: www.partnersgroup.com/research

About Partners Group

Partners Group is a global private markets investment management firm with over EUR 54 billion (USD 57 billion) in investment programs under management in private equity, private real estate, private infrastructure and private debt. The firm manages a broad range of customized portfolios for an international clientele of institutional investors. Partners Group is headquartered in Zug, Switzerland and has offices in San Francisco, Denver, Houston, New York, São Paulo, London, Guernsey, Paris, Luxembourg, Milan, Munich, Dubai, Mumbai, Singapore, Manila, Shanghai, Seoul, Tokyo and Sydney. The firm employs over 900 people and is listed on the SIX Swiss Exchange (symbol: PGHN) with a major ownership by its partners and employees.

Investor relations contact

Philip Sauer

Phone: +41 41 784 66 60

Email: philip.sauer@partnersgroup.com

Media relations contact

Jenny Blinch

Phone: +41 41 784 65 26

Email: jenny.blinch@partnersgroup.com

www.partnersgroup.com