



# Partners Group

REALIZING POTENTIAL IN PRIVATE MARKETS

## Press release

Baar-Zug, Switzerland; 3 June 2020

### Partners Group provides interim business development update due to COVID-19

Partners Group, the global private markets investment manager, today provides an interim update on its fundraising and investment activities for the four-month period ending on 30 April 2020, as well as a summary of year-to-date portfolio performance for each asset class and guidance on its semi-annual 2020 financials.

Steffen Meister, Executive Chairman, Partners Group, comments: *"Given the market uncertainty triggered by the COVID-19 pandemic, we have decided to provide this interim update to the market in order to offer transparency around our activities. As we have increased our reporting on portfolio performance to clients during this period, we feel that it is also appropriate to do the same for shareholders. In summary, we are highly confident that Partners Group and its portfolios are well-positioned to navigate the crisis successfully on behalf of the firm's clients and shareholders."*

#### ***AuM development for the four-month period ending on 30 April 2020***

Partners Group received USD 7.0 billion in new commitments from its global client base across all private markets asset classes in the four-month period ending on 30 April 2020, with USD 3.7 billion raised in March and April. Tail-down effects from mature private markets investment programs amounted to USD -1.3 billion and redemptions from evergreen programs amounted to USD -0.8 billion over the same period. A negative contribution of USD -2.6 billion stemmed mainly from performance-related effects and changes to the investment level of a select number of investment programs. A further USD -1.7 billion was driven by foreign exchange effects.

Overall, this resulted in net assets under management (AuM)<sup>1</sup> growth of USD 0.5 billion during the period until the end of April 2020 and brings total AuM to USD 94.6 billion as of 30 April 2020 (31 December 2019: USD 94.1 billion).

André Frei, Partner and Co-Chief Executive Officer, Partners Group, states: *"We continue to see solid demand for our range of private markets programs and mandates. However, the situation around COVID-19 has inevitably led to some uncertainty around the timing of commitments amongst clients. While we expect a flat development of AuM in the first half of the year, we aim to provide full-year fundraising guidance with our semi-annual AuM announcement on 14 July. Longer term, the structural trend of increasing allocations to private markets is expected to continue to translate into solid underlying growth in the firm's business."*

#### ***Investment & realization activities for the four-month period ending on 30 April 2020***

Partners Group invested USD 3.6 billion on behalf of its clients in the four-month period ending on 30 April 2020, with investment activities predominantly skewed towards the first two months of the year. In March and April 2020, the firm's private markets professionals worked intensively with portfolio companies and assets through the COVID-19 situation by allocating leadership, operational and financial resources to ensure business continuity and preserve liquidity, while safeguarding the health and safety of portfolio employees. Also skewed towards the first two months of the year were the firm's divestments on behalf of its clients, which led to a total of USD 3.4 billion in underlying portfolio realizations.

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<sup>1</sup> To supplement Partners Group's financial results presented in accordance with International Financial Reporting Standards (IFRS), the firm is presenting the following alternative performance metrics (APMs) in this press release: assets under management and earnings before interest and tax (EBIT). These APMs are not based on any standardized methodology prescribed by IFRS and are not necessarily comparable to similarly titled measures presented by other companies. These APMs are provided to enhance the reader's understanding of the firm's past financial performance and its prospects for the future. A description of the APMs can be found in Partners Group's 2019 Annual Report on pages 32-33, available for download at [www.partnersgroup.com/financialreports](http://www.partnersgroup.com/financialreports).

*Portfolio performance overview for the four-month period ending on 30 April 2020*

	Partners Group (USD) <sup>2</sup>	Reference index return (USD) <sup>3</sup>
Private equity ( <i>direct</i> )	-7.4%	-12.4%
Direct lending	-7.0%	-9.6%
Liquid loans	-7.6%	-8.7%
Private real estate ( <i>direct</i> )	-8.7%	-23.2%
Private infrastructure ( <i>direct</i> )	-4.5%	-22.5%

**Private equity:** overall, the firm's overweight on acquiring high-quality and resilient companies within the healthcare, information technology and business services sectors has provided relative stability in this environment. Partners Group's greatest impact as an owner and operator within its lead and joint lead private equity investments has been the rapid mobilization of its operating directors, industry specialists and investment professionals to work intensively with portfolio companies through the crisis. 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 capital<sup>4</sup> required to manage these assets through the crisis is currently expected to be insignificant compared to the firm's USD 44 billion AuM in private equity.

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<sup>2</sup> Partners Group shows performance as model net returns, which are based on gross investment performance and standard fee parameters for the four-month period ending on 30 April 2020. All cash flows and valuations are converted to USD using fixed FX rates as of 30 April 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). The performance presented reflects model performance an investor may have obtained had it invested in the manner and the time period shown and does not represent performance that any investor actually attained.

<sup>3</sup> 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).

<sup>4</sup> Valuation adjustments due to capital injections are already reflected in the private equity portfolio performance overview.

**Private debt:** while Partners Group's debt portfolio has also experienced some COVID-19-related challenges in individual assets, its overall focus on non-cyclical, larger-cap credits, combined with its negligible energy exposure and substantial underweight of the more challenged leisure, retail and transportation sectors, have provided relative stability in this environment. Partners Group's Collateralized Loan Obligations (CLOs) have continued to pay distributions to equity holders and have experienced no over-collateralization test breaches. However, a limited number of credits will require more substantial restructuring<sup>5</sup>, incurring a modest level of aggregated impairments relative to the firm's overall private debt AuM of USD 22 billion.

**Private real estate:** Partners Group's private real estate portfolio has significantly outperformed its public market benchmark due to its focus on office and industrial asset classes and 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 the portfolio has limited its exposure to any one city or sector. Overall, and with USD 15 billion AuM in private real estate, Partners Group is not currently experiencing significant challenges in its real estate portfolio.

**Private infrastructure:** Partners Group's private infrastructure portfolio has significantly outperformed its public infrastructure benchmark and is expected to continue to perform relatively well as compared to other private infrastructure portfolios, mainly due to the fact that it has minimal exposure to commodity prices, GDP, or traffic volumes. 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, Partners Group's USD 13 billion AuM private infrastructure platform has to-date remained resilient in the face of market dislocations.

David Layton, Partner and Co-Chief Executive Officer, Partners Group, adds: *"Despite the impact of COVID-19, we can confidently confirm that the long-term investment theses behind the vast majority of our portfolio assets are just as compelling today as in prior years. We are a long-term investor and, based on our prior experience of working through periods of market disruption, we do not anticipate material and lasting impact on our portfolio as a result of this crisis. We are proud of our current investment portfolio, which has been built through a highly selective investment process. We believe that this portfolio has the potential for continued relative outperformance."*

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<sup>5</sup> Valuation adjustments due to restructurings are already reflected in the direct lending and liquid loans portfolio performance overview.

### *Guidance on semi-annual 2020 financials*

The high proportion of Partners Group's recurring revenues stemming from **management fees** provides stability even during times of market disruption and heightened volatility. The firm continues to expect its overall management fees to develop broadly in line with the development of AuM. However, the short-term market volatility and generally weak exit environment caused by COVID-19 has led to the postponement of many exit activities originally tabled for the first half of 2020. As a result, the firm expects **performance fees** to amount to up to 5% of total revenues for the first half of 2020 (H1 2019: 19%). Irrespective of the market environment, Partners Group continues to manage its operating margin towards a **target EBIT margin of ~60%** for newly generated management fees (assuming stable foreign exchange rates), as well as for performance fees (H1 2019: 63%).

Partners Group invests into its investment programs alongside clients from its balance sheet (typically around 1% of the program's size). As of 31 December 2019, these diversified investments across asset classes amounted to CHF 708 million on the firm's balance sheet.<sup>6</sup> Marking these investments to market broadly in line with the overall private markets portfolio performance outlined in the table above for the four-month period ending on 30 April 2020, will negatively affect the **financial result** in the first half of 2020 (H1 2019: CHF 23 million<sup>7</sup>).

### *Key dates 2020*

14 July 2020

Announcement of AuM as of 30 June 2020

8 September 2020

Interim results and Interim Report as of 30 June 2020

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<sup>6</sup> The firm's balance sheet investments consist of CHF 605 million financial investments/GP commitments, CHF 61 million seed investments and CHF 42 million investments in associates as of 31 December 2019. Financial investments/GP commitments amounted to CHF 605 million, of which private equity represented CHF 273 million, private debt CHF 218 million, private real estate CHF 59 million and private infrastructure CHF 56 million.

<sup>7</sup> The financial result amounted to CHF 23 million in H1 2019, of which CHF 33 million stems from the solid performance of investments alongside clients and CHF -10 million from foreign exchange, interest income/costs, hedging & other finance income/costs.

## **About Partners Group**

Partners Group is a leading global private markets investment manager. Since 1996, the firm has invested over USD 130 billion in private equity, private real estate, private debt and private infrastructure on behalf of its clients globally. Partners Group is a committed, responsible investor and aims to create broad stakeholder impact through its active ownership and development of growing businesses, attractive real estate and essential infrastructure. With over USD 94 billion in assets under management as of 31 December 2019, Partners Group serves a broad range of institutional investors, sovereign wealth funds, family offices and private individuals globally. The firm employs more than 1,500 diverse professionals across 20 offices worldwide and has regional headquarters in Baar-Zug, Switzerland; Denver, USA; and Singapore. It has been listed on the SIX Swiss Exchange since 2006 (symbol: PGHN). For more information, please visit [www.partnersgroup.com](http://www.partnersgroup.com) or follow us on [LinkedIn](#) or [Twitter](#).

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