



**PARTNERS GROUP (USA) INC.**  
**FORM ADV PART 2A**

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**This brochure (the "Brochure") provides information about the qualifications and business practices of Partners Group (USA) Inc. (the "Adviser"). If you have any questions about the contents of this Brochure, please contact us at (212) 908-2600. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.**

**Partners Group (USA) Inc. is registered with the SEC as an investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information based on which you may determine to hire or retain an investment adviser.**

**Additional information about Partners Group (USA) Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2 – Material Changes**

The Adviser's most recent update to Part 2A was made on January 7, 2015. The Adviser is now updating Part 2A to reflect the following material changes:

- Item 5 – Additional descriptions of the types of expenses the Adviser's clients may bear in connection with the Adviser's advisory services and how such expenses are apportioned among clients of the Adviser and its affiliates.
- Item 5 – Additional descriptions of the types of fees the Adviser and its affiliates may receive in connection with the routine operation or management of an Adviser's client's investment and that such fees are generally offset against management fees payable to the Adviser and its affiliates.
- Item 5 – Disclosure that the Adviser or its affiliates may receive fees for certain administrative or financial advisory services, that such fees are not offset against management fees, and that the Adviser and its affiliates have adopted rules-based policies and procedures designed to mitigate any conflicts of interest that arise therefrom.
- Item 10 – Description of how the Adviser and its affiliates' may offer to certain persons the opportunity to co-invest in particular investments alongside clients of the Adviser and that such co-investors will bear their pro rata share of investment expenses and will be subject to allocation procedures designed to ensure fair and equitable treatment of all clients of the Adviser and its affiliates.
- Item 12 – Clarification that the Adviser outsources trade execution duties with respect to limited publicly-traded securities to its affiliate Partners Group AG, subject to the instructions of the Adviser.

The Adviser will ensure that its investors receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of the Adviser's fiscal year or otherwise as necessary based on changes or new information, at any time, without charge. Additional ongoing disclosure information about material changes will be provided to investors as necessary.

The Adviser, at any time, may update this Brochure and offer to send you a copy. A copy of this Brochure may be requested any time without charge by contacting the Adviser at (212) 908-2600. Additional information about Partners Group (USA) Inc. is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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#### **Item 4 – Advisory Business**

Partners Group (USA) Inc. (the “Adviser”), a Delaware corporation founded in 2000, is an investment advisory firm whose primary business is to provide discretionary investment advice relating to private market investments, primarily to institutional investors. The Adviser also provides discretionary investment advice to Partners Group Private Equity (Master Fund), LLC, a registered investment company under the Investment Company Act of 1940 (hereafter referred to as the “Registered Investment Company”).

In providing its investment advisory services, the Adviser may:

- Be contractually engaged as an investment adviser by an institutional client (a “Direct Relationship”);
- Act as general partner and/or investment adviser/investment manager to certain pooled investment vehicles (each, a “Private Fund”); and / or
- Act as general partner and/or investment adviser/investment manager to certain entities established to provide services tailored to specific clients’ needs (each, a “Separate Account”).

Together with the Registered Investment Company, all Direct Relationships, Private Funds and Separate Accounts are hereinafter referred to as the Adviser’s “Client(s)”. The Adviser’s Clients may invest in limited partnerships and/or other investment entities managed by affiliates of the Adviser. The Adviser’s services are based on each Client’s specific needs and may vary from Client to Client.

The Adviser or its affiliates may, in their sole discretion, use side letters or other agreements to modify certain offering terms of pooled investment vehicles for investors that are principals, employees or affiliates of the Adviser and/or for certain other investors.

With respect to the Registered Investment Company, the Adviser tailors its advisory services based on the investment objectives and strategies of the Registered Investment Company as a whole. The requests or needs of individual investors in the Registered Investment Company are not taken into account, nor are such investors permitted to restrict or otherwise control the investments of the Registered Investment Company. For more detailed information regarding the Registered Investment Company please contact Partners Group (USA) Inc. at (212) 908-2600.

The Adviser manages discretionary assets on a committed basis in the amount of approximately \$4,179,208,730 as of December 31, 2014. The Adviser also manages non-discretionary assets on a committed basis in the amount of approximately \$184,929,538 as of December 31, 2014.

The Adviser is wholly owned by Partners Group Holding AG, a Swiss corporation. Partners Group Holding AG is a public company and is listed on the SIX Swiss Exchange (ticker: PGHN).

## **Item 5 – Fees and Compensation**

The Adviser receives management fees in connection with the investment management services it provides to its Clients and may also receive performance fees, carried interest or incentive allocations. All fees are subject to negotiation. Final, negotiated fees are reflected in the respective Client's written agreement with the Adviser. Management fees are typically payable in arrears on a quarterly basis, and are typically deducted from Client assets. Management fees and performance fees, carried interest or incentive allocations relating to investments made prior to termination of any investment management or advisory contract may remain payable notwithstanding termination of such contract.

The Adviser may invest Client assets in investment companies or pooled investment funds and the managers, advisers and/or general partners of such investment companies or funds may assess management/advisory fees and/or carried interest that are in addition to the compensation payable to the Adviser.

As stated in Item 4, a Client of the Adviser may invest in one or more investment vehicles where affiliates of the Adviser serve as the general partner and investment adviser or investment manager. In such circumstances, where the Client is already covered by a separate fee arrangement, fees that would otherwise have been payable to the Adviser or its affiliates in connection with the relevant investment are waived or rebated, such that the Client does not incur additional fees as a consequence of the relevant investment.

The Adviser's Clients may bear certain expenses in connection with the Adviser's advisory services, either as direct investors or as investors in investment vehicles managed by the Adviser or its affiliates (an "Investment Vehicle"). Such expenses, which in the good faith judgment of the Adviser are incurred for the benefit of the Adviser's Clients, may include, but are not limited to: any fees and expenses relating to (a) the assessment and monitoring of investments and prospective investments (whether or not consummated) or temporary investments (including, but not limited to meals, lodging, and travel expenses related thereto), (b) reasonable premiums for insurance protecting an Investment Vehicle and the general partner or managing member, any of its affiliates and any of their officers, directors, managers, employees and agents from liabilities to third parties in connection with respective Investment Vehicle affairs, (c) legal, tax, accounting, regulatory, compliance and other consultant expenses (e.g. expenses related to financial statements, tax returns, FATCA compliance, valuation, and jurisdiction specific reviews of placement rules and investor suitability), (d) auditing expenses, (e) expenses relating to investor reporting, (f) online subscriptions and licenses (e.g. relating to administration, reporting and valuation requirements), (g) all taxes and government charges, fees, and duties incurred by an Investment Vehicle, (h) interest on and fees and expenses related to or arising from any

borrowing or hedging activities, (i) expenses of an advisory board of an Investment Vehicle, (j) costs of annual meetings required of an Investment Vehicle, (k) costs of winding up and liquidating an Investment Vehicle, and (l) all damages and any expenses incurred pursuant to nonfunding investors of an Investment Vehicle. For the avoidance of doubt, all routine overhead expenses, including rent, utilities, secretarial expenses and compensation and benefits of the Adviser's and its affiliates' employees shall be borne directly by the Adviser or its affiliates and may not be recharged to the Adviser's Clients.

A rules based approach is applied by the Adviser and its affiliates (hereinafter referred to as "Partners Group") in apportioning expenses between clients on a pro rata basis, however certain Clients may not be charged their pro rata portion of expenses that would otherwise be borne by such Clients, such portions instead being borne by Partners Group. For example, certain expenses are not borne by the Registered Investment Company. Additionally, certain fees and expenses can result from Partners Group financing certain types of investments via credit facilities; in such instances such fees and expenses are allocated to Clients with an appetite for such investments, therefore a Client could be allocated such expenses even where it did not draw upon the relevant credit facility.

Partners Group may receive certain fees in connection with the routine operation or management of a Client's investment ("Transaction Income"), such fees including director's fees, transaction fees, break-up fees, monitoring fees, or other similar fees. In certain limited instances the payment of certain types of transaction fees or monitoring fees may be accelerated upon the exit from an investment or in certain other circumstances, such as an initial public offering or change of control. Generally speaking, 100% of all Transaction Income received by Partners Group shall be offset against management fees due to Partners Group, however a lower rate or no offset may apply pursuant to governing Investment Vehicle agreements.

Different fee and expense arrangements may apply to co-investors that invest alongside Clients and clients of the Adviser's affiliates. Specifically, Transaction Income attributable to such co-investors may be retained by Partners Group as such co-investors may not receive the benefit of having Transaction Income offset against management fees. Please see Item 10 for further information on co-investing activities of Partners Group.

Partners Group may also receive from a Client's investment an administrative services fee for general administrative services provided to such an investment, or related intermediate special purpose investment vehicle, such as accounting services, domiciliation services, and representative and payment agent services. Additionally, Partners Group may also receive financial advisory fees for the provision of advice on mergers, acquisitions, add-on acquisitions, re-financings, public offerings, sales and similar transactions relating to a Client's investment. For the avoidance of doubt such administrative services fees and financial advisory fees are not offset against management fees payable to Partners Group.

A conflict of interest will arise if a Partners Group representative is involved in, responsible for, or influences the appointment of a Partners Group affiliate by a Client investment to

provide such administrative or financial advisory services. Partners Group has adopted rules-based policies and procedures designed to mitigate such conflicts.

The investments made by the Adviser on behalf of its Clients are generally in private securities, rather than publicly-traded securities. As a result, Clients do not generally incur brokerage or brokerage-related transaction costs. Occasionally, however, the Adviser may recommend currency hedging options and contracts and/or other publicly-traded securities, including investment company shares, in connection with which commissions or other fees may be incurred by Clients. Please refer to Item 12, Brokerage Practices, for a description of the Adviser's practices regarding selection of broker-dealers and trading.

The information contained herein is a summary only and is qualified in its entirety by the information contained in the confidential private placement memorandum of any Investment Vehicle sponsored by the Adviser or its affiliates, which provides a detailed and complete description of the fees and costs associated with an investment in the relevant Investment Vehicle. Please contact Partners Group (USA) Inc. at (212) 908-2600 to request a copy of a particular Investment Vehicle's confidential private placement memorandum.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

In some cases, the Adviser has entered into performance-based allocation arrangements with Clients. Such arrangements are generally subject to individualized negotiation with each relevant Client. All such performance or incentive allocation arrangements are offered pursuant to Rule 205-3 of the Investment Advisers Act of 1940, as amended (the "Advisers Act").

Performance-based allocation arrangements may create an incentive for the Adviser to recommend investments that may be riskier or more speculative than those which would be recommended under a different arrangement. Such arrangements may also create an incentive to favor higher-fee paying Clients over other Clients of the Adviser in the allocation of investment opportunities. The Adviser has implemented procedures designed to ensure that all Clients are treated fairly, and to prevent this potential conflict from influencing the allocation of investment opportunities among its Clients.

## **Item 7 – Types of Clients**

The Adviser primarily provides investment advisory services to institutional investors and certain high net worth investors via Direct Relationships or in its role as general partner and/or investment adviser/investment manager to Private Funds, the Registered Investment Company and Separate Accounts.

Each institutional investor that has a Direct Relationship with the Adviser and each underlying investor of the Private Funds and Separate Accounts must meet the "accredited

investor” standard of Rule 501 of the Securities Act of 1933, as amended, and the “qualified purchaser” standard of Section 2(a)(51) of the Investment Company Act of 1940, as amended. Underlying investors in the Registered Investment Company must meet the “accredited investor” standard referenced above and the “qualified client” standard of Rule 205-3 of the Advisers Act.

Separate Accounts managed by the Adviser typically require a \$100 million minimum investment. For investments in Private Funds sponsored by the Adviser or its affiliates, a \$10 million minimum investment is generally required. For investment into the Registered Investment Company the minimum investment is generally \$50,000 for individuals and \$1 million for institutional investors.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

Investing directly or indirectly in securities managed or selected by the Adviser involves risk of loss up to and including the loss of a Client’s entire investment; Clients therefore must be prepared to bear such loss.

In performing its investment advisory activities, the Adviser significantly relies upon sourcing, analysis, risk management and other functions performed by its affiliates. Professionals directly employed by the Adviser generally participate in the due diligence and analysis process with respect to investment opportunities in North and South America, but may have limited or no participation with respect to investment opportunities in other geographic regions other than the analyses made by the Adviser’s independent private equity investment committee (the “Adviser Investment Committee”). Through its relationship with its affiliates, the Adviser gains access to, and benefits from, a much broader range of investment opportunities, analytical resources and investment personnel than would otherwise be available while retaining full investment discretion in regards to its Clients.

Partners Group sources investment opportunities on a global basis through referrals of its affiliates, including the Adviser. All investment opportunities sourced by the Adviser are referred to Partners Group for due diligence and analysis, as described below, before being recommended or allocated to any of the Adviser’s Clients. Once identified, investment opportunities are generally logged into a proprietary database that tracks Partners Group’s analysis of the opportunity. Investment analysis by Partners Group generally involves (i) a market assessment based on periodic analysis of relevant economic fundamentals, (ii) the development of a relative value outlook for different markets and/or for various investment subcategories within such markets and (iii) a critical review of individual investment opportunities available to Partners Group. Partners Group typically analyzes each individual investment opportunity through the step-by-step process outlined below. The manner in which each step is completed, including whether any steps may be completed concurrently, depends on the particular circumstances of each potential investment opportunity and remains at the discretion of Partners Group.



## **Investment Analysis Process**

Investment analysis is primarily based upon original research and due diligence performed by Partners Group. Partners Group may also review research reports generated by third parties, conduct interviews with investment managers and/or perform corporate inspections. Partners Group may also hire research/consulting firms on a fee-for-service basis (non-soft dollar) to obtain access to research databases.

### *Teaser*

Investment opportunities sourced by Partners Group may be presented as a "Teaser" to one of Partners Group's specialized investment committees, which are delineated by investment type. The Teaser consists of a brief one-page summary of the opportunity. After reviewing a Teaser, the relevant specialized investment committee will either approve or reject the investment team's request to allocate due diligence resources to the relevant opportunity.

### *First Check*

The initial analysis of an investment opportunity is typically referred to as a "First Check" or "FC". Each FC highlights various aspects of the relevant investment opportunity, such as strategy, management team, track record and/or market positioning. Such initial analyses may be presented to either one of Partners Group's specialized investment committees or Partners Group's global investment committee (each, a "Partners Group Investment Committee") for an initial review, depending on the potential size of the investment opportunity. Partners Group's global investment committee is comprised of Partners Group's most senior professionals across the globe.

### *Preliminary Investment Recommendation/Indicative Bid*

Where the appropriate Partners Group Investment Committee determines that an investment opportunity merits additional due diligence, selected investment professionals of Partners Group perform a thorough commercial due diligence assessment of the investment opportunity and prepare a Preliminary Investment Recommendation ("PIR"), or in case of secondary investments, an "Indicative Bid", which consists of a standard set of documents that detail the findings of the investment team performing the analysis on the investment opportunity. The investment team performing this assessment and preparing the PIR or Indicative Bid may or may not include professionals directly employed by the Adviser, depending on the nature and geographic location of the relevant investment opportunity.

When complete, the relevant PIR or Indicative Bid is presented to the appropriate Partners Group Investment Committee for review. The PIR or Indicative Bid may either be approved for further due diligence or rejected. Any PIR or Indicative Bid which is approved by the relevant Partners Group Investment Committee is sent back to the investment, tax and legal teams to follow up on any open issues or questions, to proceed with legal and tax due diligence and to negotiate transaction documents.

### *Investment Recommendation/Binding Bid*

Once the investment team has addressed any issues raised at the PIR or Indicative Bid stage, the opportunity is resubmitted to the relevant Partners Group Investment Committee as an Investment Recommendation ("IR"), or in case of secondary investments, a Binding Bid. The relevant Partners Group Investment Committee then approves or rejects the investment opportunity. The Adviser generally will not make any investment for its Clients if the relevant Partners Group Investment Committee has not previously approved an IR or Binding Bid in respect of such investment.

### **Allocation Process**

Concurrent with the investment analysis process described above, Partners Group's portfolio management team allocates prospective investment opportunities among Partners Group clients, including those of the Adviser. Allocations are based on a pro-rata principle, taking into account each client's particular investment objectives, guidelines, restrictions, investment demand and other suitability criteria. Accordingly, due to differences in (1) the nature of each investment opportunity, (2) the amount expected to be available for investment in a given transaction and (3) the aggregate demand among Partners Group clients for investments in a given category, allocations in respect of a given transaction may or may not include allocations for Clients of the Adviser.

The Adviser Investment Committee represents the interests of the Adviser's Clients during this allocation process. Specifically, the Adviser Investment Committee provides investment guidelines to Partners Group's portfolio management team detailing the appropriate kinds of investments that could be allocated to each of the Adviser's Clients based on certain factors, such as, but not limited to, investment type, geography, size, and diversification requirements. These inputs from the Adviser Investment Committee are independent of any specific deal analysis and are updated as necessary.

Based on the Client-specific factors communicated by the Adviser Investment Committee, Partners Group's portfolio management team may make preliminary allocations of investment opportunities to the Adviser's Clients. Preliminary allocations are typically determined at an early stage of the investment analysis process and allow both the Partners Group Investment Committees and the Adviser Investment Committee to assess potential demand for particular investment opportunities. Preliminary allocations are subject to change based on various factors such as, but not limited to, due diligence findings, structural changes, or changes in the investor syndicate.

The Adviser Investment Committee reviews all preliminary allocations recommended for its Clients by Partners Group's portfolio management team. Based on its independent analysis of the investment opportunity, both in terms of commercial appeal and suitability for the Adviser's Client(s), the Adviser Investment Committee may approve the allocation as proposed, approve a reduced allocation below the amount proposed, or reject the proposed allocation entirely. Any investment opportunity that is rejected by the Adviser Investment Committee will not be allocated to the relevant Client. The Adviser Investment Committee may also request an increased allocation with respect to particular investment opportunities

or request an allocation to an investment opportunity not initially recommended to the Adviser's Client(s) by the portfolio management team, based on its analysis of its Clients' investment objectives, guidelines, restrictions, investment demand and other suitability criteria. Nevertheless, all allocations are subject to availability and Partners Group's global allocation policy, to which the Adviser is subject. Although the Adviser may reject any investment opportunity and/or proposed allocation, the Adviser may not compel Partners Group to make (or increase) the allocation in respect of any particular investment opportunity, and accordingly, the Adviser Investment Committee's requests for increased or new allocations may or may not be satisfied. Any investment opportunity the portfolio management team recommends for consideration is independently reviewed, considered and voted upon by the Adviser Investment Committee.

With input from the Adviser Investment Committee and the relevant Partners Group Investment Committee(s), Partners Group's portfolio management team proposes a final allocation of an investment opportunity among clients of Partners Group and/or its affiliates. If a final allocation to an investment opportunity includes one or more Clients of the Adviser, the Adviser Investment Committee must approve such allocation prior to execution of the investment. If approved, members of the Adviser Investment Committee will execute an investment direction letter that must be received by Partners Group's deal execution team prior to final sign off of the investment.

### **Material Risks**

Before investing in any vehicle sponsored by the Adviser or its affiliates, prospective investors should ensure that they (i) understand the risk factors associated with private investments, which generally include, but are not limited to, the material risks outlined below, and (ii) have the financial ability and willingness to accept such risks. For a more comprehensive description of the risks associated with investing in a vehicle sponsored by the Adviser or its affiliates, please reference the relevant private placement memorandum. The information contained herein regarding such risks is a summary only and is qualified in its entirety by information found in the relevant private placement memorandum.

*Identification of investment opportunities and expenses.* The success of the Adviser depends on the availability and identification of suitable investment opportunities. The availability of investment opportunities will be subject to market conditions and other factors outside the control of the Adviser. There can be no assurance that the Adviser or its affiliates will be able to identify sufficient attractive investment opportunities to meet the Adviser's Client's investment objectives.

*Economic, political and legal risks.* The Adviser's investments may be made in a number of countries, including less developed countries, exposing investors to a range of potential economic, political and legal risks. These may include, but are not limited to, declines in economic growth, inflation, deflation, currency revaluation, nationalization, expropriation, confiscatory taxation, governmental restrictions, adverse regulation, social or political instability, negative diplomatic developments, military conflicts, and terrorist attacks.

Clients should note that private markets in countries where the Adviser's investments are made may be significantly less developed than those in Clients' domiciles. Certain investments may be subject to extensive regulation by national governments and/or political subdivisions thereof, which prevent the Adviser from making investments it otherwise would make, or which may cause the Adviser to incur substantial additional costs or delays that it otherwise would not suffer.

Such countries may have different regulatory standards with respect to insider trading rules, restrictions on market manipulation, shareholder proxy requirements and/or disclosure of information. In addition, the laws of various countries governing business organizations, bankruptcy and insolvency may make legal action difficult and provide little, if any, legal protection for investors. Any such laws or regulations may change unpredictably based on political, economic, social, and/or market developments.

*Legal, tax and regulatory risks.* Legal, tax and regulatory changes could occur during the term of an investment which may materially adversely affect such investment. For example, the regulatory and tax environment for leveraged investors and for private equity funds generally is evolving, and changes in the direct or indirect regulation or taxation of leveraged investors or private equity funds may materially adversely affect the ability of the Adviser to pursue its investment strategies or achieve its investment objectives. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was signed into law on July 21, 2010 and significantly revises and expands the rulemaking, supervisory and enforcement authority of U.S. federal bank, securities and commodities regulators. The implementation of the Dodd-Frank Act requires the adoption of various regulations and the preparation of reports by various agencies over a period of time. It is unclear how these regulators will exercise these revised and expanded powers and whether they will undertake rulemaking, supervisory or enforcement actions that would adversely affect investments made by the Adviser. There can be no assurance that future regulatory actions authorized by the Dodd-Frank Act will not significantly reduce the profitability of the Adviser's investments. The implementation of the Dodd-Frank Act could adversely affect the Adviser by increasing transaction and/or regulatory compliance costs. In addition, greater regulatory scrutiny may increase the Adviser's exposure to potential liabilities. Increased regulatory oversight can also impose administrative burdens on the Adviser, including, without limitation, responding to examinations or investigations and implementing new policies and procedures.

*Leverage.* The use of leverage magnifies both the favorable and unfavorable effects on equity values of the Adviser's investments. Many investments are likely to have or acquire highly leveraged capital structures, increasing their exposure to adverse economic factors such as rising interest rates, reduced cash flows, fluctuations in exchange rates, inflation, downturns in the economy or deterioration in the condition of the company or its industry.

*Hedging.* The Adviser may employ hedging techniques designed to protect against adverse movements in currency, interest rates or other risks. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks and involve transaction expenses associated with the hedging. Thus, while the Adviser may benefit from

the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices, currency exchange rates or other factors may result in poorer overall performance for the Adviser's Clients than if it had not entered into such hedging transactions.

*Currency risk.* The Adviser's investments may be made in a number of different currencies. Any returns on, and the value of such investments may, therefore, be materially affected by exchange rate fluctuations, local exchange control, limited liquidity of the relevant foreign exchange markets, the convertibility of the currencies in question and/or other factors.

*Financial market fluctuations.* Fluctuations in the market prices of securities may affect the value of the Adviser's investments and may increase the risks inherent in such investments. A portfolio company's ability to refinance its debts and remain solvent may depend on the ability to sell new securities in the capital markets, to borrow from banks or otherwise, which may be impracticable or impossible in certain market environments.

*Illiquid investments.* The Adviser's investments generally will be subject to legal, contractual or other restrictions on transfer or will be investments for which no liquid market exists. As a consequence, the Adviser or its affiliates may not be able to sell its investments when it desires to do so or to realize what it perceives to be their fair value upon a sale. It is not generally expected that investments will be sold for a number of years after such investments are made. Consequently, the Adviser's investments are only suitable for sophisticated investors who are willing to hold their interests for the term of the relevant fund or separate account and who understand that they may lose all of a significant portion of their invested capital.

*Possible lack of diversification.* There can be no assurance as to the degree of diversification that will be achieved in the investments made by the Adviser. Concentrated investment exposure in a Client's portfolio could magnify the other risks described herein. The Adviser may participate in a limited number of investments and, as a consequence, the aggregate return of the Client's portfolio may be substantially adversely affected by the unfavorable performance of even a single investment.

*Limited operating history.* Many of the Adviser's investments may have limited operating histories and the information the Adviser will obtain about such investments may be limited. As such, the ability of the Adviser to evaluate past performance or to validate the investment strategies of such investments will be limited. Moreover, even to the extent an investment has a longer operating history, the past investment performance of such an investment should not be construed as an indication of the future results of that investment, particularly as the investment professionals responsible for the performance of such investments may change over time. This risk is related to, and enhanced by, the risks created by the fact that the Adviser sometimes relies upon information provided to it by outside parties that may not be capable of independent verification.

*Nature of portfolio companies.* The Adviser's investments will include direct and indirect investments in various companies, ventures and businesses ("Portfolio Companies"). This may include Portfolio Companies in the early phases of development, which can be highly risky due to the lack of a significant operating history, fully developed product lines,

experienced management, or a proven market for their products. The Adviser's investments may also include Portfolio Companies that are in a state of distress or which have a poor record and which are undergoing restructuring or changes in management, and there can be no assurances that such restructuring or changes will be successful. The management of such Portfolio Companies may depend on one or two key individuals, and the loss of the services of any of such individuals may adversely affect the performance of such Portfolio Companies.

*Lack of transparency.* The Adviser does not control the investments or operations of some of its investments. An underlying investment's general partner may employ investment strategies that differ from its past practices and are not fully disclosed to the Adviser and that involve risks that are not anticipated by the Adviser. Some underlying investment's general partners may have a limited operating history and some may have limited experience in executing one or more investment strategies to be employed for an investment. Furthermore, there is no guarantee that the information given to the Adviser and reports given to the Adviser with respect to underlying investments will not be fraudulent, inaccurate or incomplete.

*Control issues.* The Adviser and its affiliates may not have (i) the right to participate in the management, control or operation of its investments, (ii) the opportunity to evaluate the relevant economic, financial and other information that will be used by the respective managers, or (iii) the authority to remove the management of any investment. Investors will not acquire any direct economic or voting interest in investments.

In certain situations, the Adviser or its affiliates may exercise control over an investment. The exercise of control imposes additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liabilities in which the limited liability characteristics of a corporation may be ignored. If these liabilities were to arise, the Adviser or its affiliates may suffer a significant loss.

*Management and strategy risk.* The ability of each Client's portfolio to meet its investment objective is directly related to the Adviser's investment strategies. The investment process used by the Adviser could fail to achieve a Client's investment objective and cause investments to lose value.

*Mezzanine transactions.* The Adviser may invest in mezzanine debt transactions. Although mezzanine securities are typically senior to common stock and other equity securities in the capital structure, they may be subordinated to large amounts of senior debt and are usually unsecured. The Adviser may not be able to take the steps necessary to protect an investment in a timely manner or at all and there can be no assurance that the performance objectives on any particular mezzanine debt investment will be achieved. Mezzanine investments are generally subject to various creditor risks, including the possible invalidation of an investment transaction as a "fraudulent conveyance" under relevant bankruptcy laws, so-called lender liability claims by the issuer of the obligations and environmental liabilities that may arise with respect to collateral securing the obligations.

Additionally, adverse credit events with respect to any investee company, such as missed or delayed payment of interest and/or principal, bankruptcy, receivership or distressed exchange, can significantly diminish the value of an investment in any such company.

*Defaulted debt securities and other securities of distressed companies.* The Adviser's investments may include low grade or unrated debt securities ("high yield" or "junk" bonds or leveraged loans) or investments in securities of distressed companies. Such investments involve substantial, highly significant risks. For example, high yield bonds are regarded as being predominantly speculative as to the issuer's ability to make payments of principal and interest. Issuers of high yield debt may be highly leveraged and may not have available to them more traditional methods of financing. Therefore, the risks associated with acquiring the securities of such issuers generally are greater than is the case with higher rated securities. In addition, the risk of loss due to default by the issuer is significantly greater for the holders of high yield bonds because such securities may be unsecured and may be subordinated to other creditors of the issuer. Similar risks apply to other private debt securities. Successful investing in distressed companies involves substantial time, effort and expertise, as compared to other types of investments. Information necessary to properly evaluate a distress situation may be difficult to obtain or be unavailable and the risks attendant to a restructuring or reorganization may not necessarily be identifiable or susceptible to considered analysis at the time of investment.

*General risks of secondary investments.* The overall performance of the Adviser's secondary investments will depend in large part on the acquisition price paid, which may be negotiated based on incomplete or imperfect information. Certain secondary investments may be purchased as a portfolio, and in such cases the Adviser may not be able to carve out from such purchases those investments that the Adviser considers (for commercial, tax, legal or other reasons) less attractive. Where the Adviser acquires a secondary investment, the Adviser will generally not have the ability to modify or amend such investment's constituent documents (e.g., limited partnership agreements) or otherwise negotiate the economic terms of the interests being acquired. In addition, the costs and resources required to investigate the commercial, tax and legal issues relating to secondary investments may be greater than those relating to primary investments.

*Contingent liabilities associated with secondary investments.* Where the Adviser acquires an interest in a secondary investment it may acquire contingent liabilities associated with such interest. Specifically, where the seller has received distributions from the relevant secondary investments and, subsequently, that investment recalls any portion of such distributions, the Adviser (as the purchaser of the interest to which such distributions are attributable) may be obligated to pay an amount equivalent to such distributions to such investment. While the Adviser may be able, in turn, to make a claim against the seller of the interest for any monies so paid to the secondary investment, there can be no assurance that the Adviser would have such right or prevail in any such claim.

*Risks relating to secondary investments involving syndicates.* The Adviser may acquire secondary investments as a member of a purchasing syndicate, in which case the Adviser may be exposed to additional risks including (among other things): (i) counterparty risk, (ii)

reputation risk, (iii) breach of confidentiality by a syndicate member, and (iv) execution risk.

*Real estate risks in general.* The Adviser's investments may be subject to the risks inherent in the ownership and operation of real estate and real estate related businesses and assets. These risks include, but are not limited to, the burdens of ownership of real estate property, general and local economic conditions, the supply and demand for properties, energy and supply shortages, fluctuations in the average occupancy and room rates for hotel properties, the financial resources of tenants, changes in building, environmental and other laws and/or regulations, changes in real estate property tax rates, changes in interest rates and the availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable, negative developments in the economy that depress travel activity, environmental liabilities, contingent liabilities on disposition of assets, uninsured or uninsurable casualties, acts of God, terrorist attacks and war and other factors which are beyond the control of the Adviser. There is no assurance that there will be a ready market for resale of investments because investments will generally not be liquid. Illiquidity may result from the absence of an established market for the investments, as well as legal or contractual restrictions on their resale by the Adviser or its investments.

For more detailed information regarding any of the investment vehicles sponsored by the Adviser or its affiliates, please contact Partners Group (USA) Inc. at (212) 908-2600 to request a copy of the relevant vehicle's confidential private placement memorandum.

## **Item 9 – Disciplinary Information**

SEC-registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an investor's evaluation of an investment adviser or the integrity of the adviser's management team. Neither the Adviser nor any of its executive officers, members of the Adviser Investment Committee or other "management persons" as defined in Form ADV have been subject to legal or disciplinary events related to this Item or are otherwise required to disclose any event required by this Item.

## **Item 10 – Other Financial Industry Activities and Affiliations**

The Adviser may outsource investment analysis, valuation support, finance, accounting and certain investment advisory services to Partners Group AG, an affiliate of the Adviser with the right to further outsource to other affiliates. Partners Group AG is an exempt reporting adviser with the SEC. The Adviser and/or its principal executive officers or senior management are also engaged in providing services to Partners Group AG and other affiliates of the Adviser. These activities may include serving on investment committees, providing research or opinions to affiliates of the Adviser and structuring and/or marketing various private funds or other investment products offered by the Adviser's affiliates. Such



investment products may at times be offered to the Adviser's Clients. The Adviser's employees or those of its affiliates may invest alongside Clients in such investment products. Certain employees of the Adviser are registered as representatives of a broker-dealer that is not affiliated with the Adviser.

As stated in Item 8, Partners Group's portfolio management team allocates prospective investments among Partners Group clients, including those of the Adviser. This creates an inherent conflict of interest among Partners Group clients that the Adviser along with its affiliates mitigate through procedures designed to ensure that all Partners Group clients are treated fairly with respect to allocation of investment opportunities.

As previously stated, the Adviser serves as the investment adviser for the Registered Investment Company, Partners Group Private Equity (Master Fund), LLC (SEC file number 811-22241). Certain of the Adviser's executive officers serve as officers of the Registered Investment Company.

The Adviser does not receive any cash or other economic benefit from any non-Client in connection with providing advice to its Clients.

Partners Group may from time to time offer certain persons, including existing investors, strategic investors or other third parties, the opportunity to co-invest in particular investments alongside of Partners Group clients, including those of the Adviser, subject to certain restrictions. In each case where co-investors participate in an investment, such co-investors will bear their pro rata share of any expenses associated with such investment and will be subject to the same allocation procedures referenced above such that all Partners Group clients are treated fairly.

In allocating co-investment opportunities, Partners Group considers factors such as an investor's expressed desire to participate in co-investments, the strategic value of a particular investor co-investing in the opportunity in question and similar items. In addition to Partners Group's right to permit one or more investors to invest in transactions in which an Adviser Client invests, existing and prospective investors should note that Partners Group may offer co-investment opportunities in its sole discretion, is not expected to offer co-investment to all existing investors and may allocate any such opportunities in its sole discretion. The allocation of co-investment opportunities may involve a benefit to Partners Group including, without limitation, fees and additional investment in investment vehicles managed by Partners Group.

## **Item 11 – Code of Ethics**

In an effort to avoid conflicts of interest and protect its Clients from improper behavior, the Adviser has adopted a Code of Ethics (the "Code") designed to address and prevent potential conflicts of interest as required under Rule 204A-1 under the Advisers Act. The Adviser's Code governs the actions of its employees and seeks to promote an ethical and compliance-oriented environment. The Code is provided to all of the Adviser's supervised

persons (which term includes all of the Adviser's employees) upon hire and annually thereafter, with a requirement that each supervised person acknowledge their receipt and compliance to its provisions in writing.

The Code includes, but is not limited to, high standards of business conduct, compliance with federal securities laws, reporting of political contributions, restrictions on the acceptance of significant gifts, pre-clearance of certain personal securities transactions, and reporting of personal investments. The Code is designed to ensure that the personal securities transactions, activities and interests of supervised persons of the Adviser will not materially interfere with both making and implementing investment decisions in the best interest of the Adviser's Clients. Trading by access persons (which term also includes all employees of the Adviser) is monitored by the Adviser's Chief Compliance Officer to reasonably detect and prevent conflicts of interest between the Adviser and its Clients. Furthermore, all access persons are prohibited from trading in public equity or debt securities, and related derivative products, in which funds managed by Partners Group are directly invested; adherence to this prohibition is monitored by the Adviser's Chief Compliance Officer as well. Supervised persons who violate the Code or the Adviser's compliance manual are subject to disciplinary action including, but not limited to, written warnings, fines and termination of employment.

The Adviser may at times transact in securities on behalf of its Clients at or about the same time an affiliate of the Adviser transacts in the same security for a client of the relevant affiliate. Such joint transactions create a potential conflict of interest in that the Adviser's affiliate's clients may have investment objectives or may implement investment strategies similar to those of the Adviser's Clients. The Adviser and its affiliates address such conflicts through the independent investment committee process described in Item 8 above where the Adviser's Investment Committee ensures that the Adviser's Clients are treated fairly and equitably by both the Adviser and its affiliates conducting such securities transactions. Additionally, the Adviser and its affiliates are subject to a firm-wide Conflicts of Interest Directive, which describes the firm-wide approach to identifying, managing, and resolving conflicts of interest both generally and in specific circumstances. This Conflicts of Interest Directive also establishes Partners Group's Conflict Resolution Board which serves as an independent decision-making body should conflicts among Partners Group's affiliates, including the Adviser, require an independent body to resolve the conflict or to further escalate it with the advisory boards or similar bodies of the respective investment vehicles.

The Code is available to Clients and prospective Clients upon written request by contacting the Adviser.

## **Item 12 – Brokerage Practices**

Section 28(e) of the Securities Exchange Act of 1934, as amended, provides a safe harbor that permits investment advisers, when selecting brokers to execute transactions for Client

accounts, to take into account certain research products and services provided to such adviser by brokers. Partners Group currently does not engage in soft dollar arrangements.

As stated in Item 5, the investments made by the Adviser on behalf of its Clients are generally in private securities, rather than publicly-traded securities, with the exception of currency hedging options and contracts. The Adviser outsources trade execution for such investments to Partners Group AG, who determines how best to execute relevant trading activities authorized and directed by the Adviser's Investment Committee. Further, Partners Group AG may aggregate trades for the Adviser's Clients along with those of Partners Group clients such that more favorable trade prices can be realized for all clients; all such pricing benefits are allocated among Partners Group clients, including those of the Adviser, on a pro-rata basis.

Partners Group AG also selects the broker(s) to be used for such transactions subject to Partners Group's best execution standards designed to obtain the best possible result for clients either when executing client orders or when receiving and transmitting orders for execution. As Partners Group is involved in a variety of different investment activities, the concept of "best execution" has a varied application depending on the type of investment being made. In terms of its operations, Partners Group primarily distinguishes between private and public markets; Partners Group has implemented policies designed to ensure best execution for investments in each of these categories, as applicable.

With respect to public market transactions, Partners Group AG will seek best execution by selecting a broker considering not only the cost of transactions conducted with such broker but whether the broker can provide the overall best qualitative execution, taking into consideration numerous factors, including, but are not limited to market impact, execution speed, certainty and size of the order, responsiveness and overall level of customer service, and the broker's ability to settle trades in a timely manner.

Partners Group prohibits employee compensation or bonus payments being directly related to the number of transactions placed through specific brokers.

### **Item 13 – Review of Accounts**

Client accounts are monitored regularly on various levels; the frequency of each review varies based on the nature of the Client account and on the review being performed. For example, investment limits and restrictions are generally monitored via an internal control system on an ongoing basis and in connection with each new investment and investment performance is generally monitored monthly or quarterly. Various professionals of the Adviser and its affiliates participate in such reviews, from financial analysts to senior management. Additionally, the Adviser's Investment Committee reviews the overall investment objectives, current, and planned portfolios of each Client on a quarterly basis with Partners Group's portfolio management team.

Clients typically receive quarterly and annual written reports that reflect the performance of their respective investments, changes in account value and account activity. The Adviser also publishes a monthly update and account statement for investors in the Registered Investment Company. Additional information regarding the Registered Investment Company is also available to the public in the annual and semi-annual reports filed with the SEC.

#### **Item 14 – Client Referrals and Other Compensation**

The Adviser and its affiliates do not compensate other persons for client referrals. However, the Adviser may compensate other persons for sales and/or servicing activities (including investor referrals) performed by placement agents of the Registered Investment Company. The existence of such compensation arrangements is fully disclosed to all investors in the Registered Investment Company.

#### **Item 15 – Custody**

The Adviser's Clients' underlying investors may receive quarterly statements from the qualified custodian that holds and maintains a portion of the Client's investment assets. The Adviser urges Clients to carefully review such statements and compare such official custodial records with any statements or reports the Adviser may provide a Client. The Adviser's statements may vary from official custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities or investments. Clients with questions relating to any statements or reports are encouraged to contact the Adviser.

In connection with the management of investments, the Adviser may have, or may be deemed to have, custody of certain Client funds. In all cases where the Adviser or one of its affiliates has custody over Client funds, the Client's underlying investors will receive audited financial statements of its account within 120 days after the fiscal year end or within 180 days after the fiscal year end, if the underlying assets are in pooled investment funds not managed by the Adviser, in compliance with Rule 206(4)-2 of the Advisers Act.

#### **Item 16 – Investment Discretion**

The Adviser usually receives discretionary authority from a Client at the outset of an advisory relationship to select the securities to be bought and sold, and the amount to buy or sell. In all cases, however, such discretion is to be exercised in a manner consistent with (i) the stated investment objectives for the particular Client as expressed in the Client's agreement with the Adviser, and (ii) applicable law. Where practical the Adviser's Clients provide the Adviser with a power of attorney in order to execute investment related documents on their behalf.

## **Item 17 – Voting Client Securities**

Corporate actions or proxies are generally considered by the applicable Partners Group investment committee, and approved or declined as appropriate. Absent special Client circumstances, Client policies or instructions, Partners Group will generally vote as follows with respect to Client securities:

- (i) vote in favor of stock option plans and other incentive compensation plans, which are considered reasonable, that give both senior management and other employees an opportunity to share in the success of the issuer;
- (ii) vote in favor of programs that permit an issuer to repurchase its own stock;
- (iii) vote in favor of proposals that support board independence (e.g., requiring a majority of outside directors);
- (iv) vote against management proposals to make takeovers more difficult (e.g., “poison pill” provisions, or supermajority votes);
- (v) vote in favor of management proposals on the retention of external auditors, unless reasonable grounds not to do so; and
- (vi) vote in favor of management endorsed director candidates, absent any special circumstances.

With respect to the wide variety of social and corporate responsibility issues that may be presented, Partners Group’s general policy is to take a position that supports policies that are designed to protect and promote the economic value of the issuer. Where proxy votes cannot be exercised, Partners Group shall apply the principles outlined above to the extent applicable.

### **Conflicts**

Where a conflict of interest is identified in relation to a proxy vote, then the relevant investment committee shall refer the matter to Partners Group’s Conflict Resolution Board. When resolving conflicts of interest, the Conflict Resolution Board shall make its decision, on a case-by-case determination, taking all available facts and its obligations from a regulatory perspective into consideration.

Investors may obtain a copy of the Adviser’s complete proxy voting policies and procedures and obtain information from the Adviser regarding how the Adviser voted any proxies on behalf of its Clients upon written request by contacting the Adviser.

## **Item 18 – Financial Information**

The Adviser does not require the payment of management fees or other compensation six months or more in advance. There exists no financial condition of which the Adviser is currently aware that would impair the Adviser to meet contractual commitments to its Clients.

#### **Item 19 – Requirements for State-Registered Advisers**

The Adviser is not registering, nor is currently registered, as an investment adviser with any state securities authorities.