



Partners Group

REALIZING POTENTIAL IN PRIVATE MARKETS

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# ANNUAL REPORT & FINANCIAL STATEMENTS

PARTNERS GROUP GENERATIONS FUND

31 December 2019

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## Directory

### Registered Office of the Company

14th Floor, 110 Bishopsgate  
London EC2N 4AY  
United Kingdom

### Authorised Corporate Director

Partners Group (UK) Limited  
14th Floor, 110 Bishopsgate  
London EC2N 4AY  
United Kingdom

### Investment Adviser

Partners Group AG  
Zugerstrasse 57  
6341 Baar  
Switzerland

### Depository

The Bank of New York Mellon (International) Limited  
Principal Place of Business  
One Canada Square  
London E14 5AL  
United Kingdom

### Registrar

The Bank of New York Mellon (International) Limited  
One Canada Square  
London E14 5AL  
United Kingdom

### Independent Auditor

PricewaterhouseCoopers LLP  
7 More London Riverside  
London SE1 2RT  
United Kingdom

### Legal Adviser

Macfarlanes LLP  
20 Cursitor Street  
London EC4A 1LT  
United Kingdom

**Statement of Authorised Corporate Director's Responsibilities in relation to the Financial Statements of the Company**

The Authorised Corporate Director ("ACD") of the Partners Group Generations Fund, is responsible for preparing the Annual Report and the audited financial statements in accordance with the Open-Ended Investment Companies Regulations 2001 ("the OEIC Regulations"), the Financial Conduct Authority's Collective Investment Schemes' Sourcebook ("COLL") and the Company's Instrument of Incorporation.

The OEIC Regulations and COLL require the ACD to prepare financial statements for each annual accounting period which:

- are in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) ("UK GAAP") and the Statement of Recommended Practice: "Financial Statements of Authorised Funds" ("SORP") issued by the IMA (now known as the Investment Association) in May 2014; and
- give a true and fair view of the financial position of the Company and its Fund as at the end of that period and the net expense and the net capital gains on the property of the Company and its Fund for that period.

In preparing the financial statements, the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the applicable UK Accounting Standards and the Statement of Recommended Practice relating to Authorised Funds have been followed, subject to any departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation.

The ACD is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and its Fund and enable it to ensure that the financial statements comply with the applicable SORP and UK GAAP. The ACD is also responsible for the system of internal controls, for safeguarding the assets of the Company and its Fund and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**The Authorised Corporate Director's Report** *continued*

The Authorised Corporate Director ("ACD") presents herewith the annual report ("the report") for Partners Group Generations Fund ("the Company") for the year to 31 December 2019.

**The Company**

The Company is an Investment Company with Variable Capital ("ICVC") under regulation 12 (Authorisation) of the Open-Ended Investment Company Regulations 2001 ("the OEIC Regulations"). The Company is incorporated in England & Wales with registered number IC001047 and was recognised as an authorised OEIC by the FCA on 22 January 2016. The Instrument of Incorporation can be inspected at the office of the ACD.

The company is a Non-UCITS Retail Scheme ("NURS") fund of alternative investment funds ("FAIF"). The company is an Authorised Investment Fund (AIF) for the purposes of AIFMD.

The Company has an "umbrella" structure meaning that it comprises a number of separate Sub-funds holding different portfolios of assets. The Company currently has only one Sub-fund in existence. Further Sub-funds may be made available in due course, as the ACD may decide.

The ACD of the Company is Partners Group (UK) Limited. The ACD is the sole director of the Company and is authorised and regulated by the Financial Conduct Authority.

**The TEF Regime**

The Partners Group Generations Fund I Sub-fund is a Tax Elected Fund ("TEF").

The broad aim of the TEF regime is to move the point of taxation from an AIF structured as an OEIC to the investors in the fund. This is, broadly, achieved either by virtue of the fund's income being exempt or by treating distributions by the fund of its taxable income to investors as deductible interest paid by the fund. A TEF may, however, have other categories of taxable receipt which remain subject to taxation in the fund.

The ACD conducted the affairs of the Partners Group Generations Fund I Sub-fund in a way which satisfied all of the TEF conditions throughout the accounting period, which allows it to continue to be treated as a TEF. However, no assurance can be given that such conditions will be satisfied at all times in future accounting periods.

**Protected Cell**

On 21 December 2011, the Open Ended Investment Companies Regulations 2011 (as amended) ("the Regulations") were amended to introduce a Protected Cell Regime for OEICs. Under the Protected Cell Regime, each Sub-fund represents a segregated portfolio of assets and accordingly, the assets of a Sub-fund belong exclusively to that Sub-fund and shall not be used or made available to discharge (directly or indirectly) the liabilities of, or claims against, any other person or body, including any other Sub-funds and shall not be available for such purpose. The shareholders of the Company are not liable for the debts of the Company.

**Security Financing Transactions**

The Securities Financing Transactions (SFTs) Regulation, as published by the European Securities and Markets Authority, aims to improve the transparency of the securities financing markets. Disclosures regarding exposure to SFTs are required on all report and accounts published after 13 January 2017. For the year to 31 December 2019 and at the balance sheet date, the Partners Group Generations Fund did not engage in SFTs.

**Sub-fund cross-holdings**

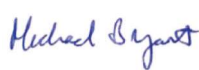
The Company currently has only one Sub-fund in existence therefore there are no cross holdings at the end of the year.

**Certification of the Annual Report by the ACD**

This report is signed in accordance with the requirement of the COLL sourcebook. For and on behalf of Partners Group (UK) Limited



**Andrew Campbell**  
Director



**Michael Bryant**  
Director

In accordance with COLL 4.5.8BR, the annual report and the financial statements were approved by the board of directors of the ACD of the Company and authorised for issue on 29 April 2020.

## Manager's Report

### Investment objective and policy

The Sub-fund provides the opportunity to invest in private market asset classes through a more liquid vehicle than traditional funds investing in private equity, private real estate, private infrastructure or private debt.

The Sub-fund is a fund of alternative investment funds. The Sub-fund's objective is to provide long term capital growth. The Sub-fund aims to provide this via a portfolio comprising:

- transferable securities (including equity, debt and hybrid instruments) predominantly comprising listed infrastructure, listed real estate, listed private equity, opportunistic fixed income/insurance linked, high yield bonds and certain senior loans; and
- unregulated collective investment schemes investing in private market investments such as private equity, private real estate, private infrastructure and/or private debt (including senior loans).

The Sub-fund may also invest in money market instruments, regulated collective schemes, cash and near cash and deposits.

The Sub-fund may, in accordance with the relevant restrictions set out in the Sourcebook, make significant investments in collective investment schemes operated by the ACD and/or its affiliates.

The ACD will determine the asset allocation of the Sub-fund's assets and will direct investments ensuring the proper diversification and spread of investment amongst the Sub-fund. This allocation will be reviewed and, if required, rebalanced regularly.

The Sub-fund may hold cash, fixed interest securities and money market funds for the purposes of general liquidity management, financing redemption requests and meeting the Sub-fund's costs and expenses.

During periods when no suitable investments are identified the Sub-fund may be substantially liquid for sustained periods; such liquidity may be maintained in cash deposits, UK Treasury bills and other short-dated UK Government securities.

The Sub-fund will, at all times, invest and manage its assets in a manner that is consistent with spreading investment risk and in accordance with its published investment policy.

It is the ACD's intention that derivatives and forward transactions will only be used for Efficient Portfolio Management.

### Performance review

Partners Group Generations Fund I (the "Fund") closed the year on a positive note for all share classes. B Class Accumulation Shares (+13.7%), P Class Accumulation Shares (+13.6%), J Class Accumulation shares (+14.2%), I Class Accumulation Shares (+14.0%) as well as the most recently launched S Class Accumulation Shares (+0.9%). On a portfolio level, private equity investments were the largest contributors, followed by liquid private markets strategies and private real estate. No asset class contributed negatively to the Funds' performance during the reporting period.

One of the top performers was GlobalLogic, the largest private markets direct investment of the Fund's portfolio has been positively revaluated during the reporting period, as the company continued to report robust financial performance. Key drivers behind the uplift were the sustained growth from current customers as well as increased sales volumes from recently won new contracts. The positive development was further supported by GlobalLogic's acquisition of Skookum, a US-based digital strategy, design and development company as well as lower overall operating expenses.

## Manager's Report continued

### Investment outlook

#### Activity review

In general, the full year was characterized by a further portfolio build-up on the private markets side. The Fund made use of Partners Group's investment platform and allocated a significant share of the Fund's liquidity in private equity, private debt as well as private real estate investments. For example, in January 2019 Project Rapid, a secondary transaction involving the recapitalization of a portfolio of four institutional quality office assets with value-added potential located in Northern and Southern California, was closed. The business plan includes increasing rental rates via lease renewals, as well as leasing up vacant space. Partners Group finds this transaction attractive as the growing Californian secondary real estate markets have demonstrated favourable supply and demand fundamentals, with above average historical rent and occupancy growth.

In February, Partners Group provided financing to Independent Vetcare in support of EQT Partners' acquisition of the company. Independent Vetcare is one of the largest providers of veterinary services in the UK, and offers a broad range of services including first opinion care, diagnostic and emergency services. In addition, the company operates an online pet pharmacy under the brand, Pet Drugs Online and has approximately 300 clinics throughout the UK with roughly 2,700 staff, which includes about 800 veterinarians.

In August this year, the Partners Group Generations S.A., SICAV-SIF - Private Markets (GBP) invested in Blue River PetCare, a leading US operator of veterinary hospitals with over 90 general practice hospitals in 23 states, employing over 300 veterinarians and specialists. Blue River hospitals provide basic primary care that tends to be routine and recurring in nature. The company is well positioned to capture additional market share through an M&A strategy in a highly fragmented market. Furthermore, Blue River operates in the general practice veterinary services space, a segment that has proven to be stable through economic cycles, as vet expenditures are perceived as non-discretionary in nature.

In October, the Partners Group Generations S.A., SICAV-SIF - Loan Access Fund provided financing to Nestlé Skin Health, in support of the acquisition of the company by a consortium led by EQT and Luxinva, a subsidiary of the Abu Dhabi Investment Authority. The transaction values Nestlé Skin Health at an enterprise value of CHF 10.2 billion. Founded in 1982 as Galderma and operating as a wholly owned subsidiary of Nestlé since 2014, the company offers a range of medical and consumer skin health solutions through three business units: aesthetics, prescription and consumer health. The company employs more than 5,000 people across 40 countries. Partners Group's investment in Nestlé Skin Health was based on the company's strong market position in a large and resilient industry, exhibiting stable growth throughout periods of market downturns.

Finally, in December, the Partners Group Generations S.A., SICAV-SIF - Loan Access Fund provided debt financing to Arnott's Biscuits, a leading Australian manufacturer of biscuits, canned soup, meals and sauces, in support of KKR's acquisition of the company. Headquartered in Sydney, Australia, the company distributes its products in countries including Australia, New Zealand, Hong Kong, Taiwan, Malaysia, Singapore, Indonesia and Japan. Partners Group was attracted to the company based on the industry's resilient nature, the company's dominant position in key markets, as well as its well-developed manufacturing capabilities.

#### Outlook

Global economic activity will most likely decline in 2020. It may take 4-6 months for domestic activity to fully resume, with a higher rate of unemployment and a more cautious corporate sector. Fiscal spending and monetary policy are unlikely to change the short-term outlook for growth, as the decline in output is driven by physical constraints on economic activity imposed by social distancing and shutdown measures. However, these programs should mitigate the medium-term impact on affected businesses and the labor market and should allow for a faster recovery once restrictions are lifted. Partners Group expects a deceleration in global growth during H1, with a high degree of uncertainty for the period thereafter. In a best-case scenario, lockdown restrictions are lifted after a 4 to 10-week period and outbreaks thereafter are localized and quickly contained. Economic activity will trough in late Q2, before growth resumes its modest pre-crisis trend rate by late 2020.



## Manager's Report continued

### Investment outlook continued

#### Outlook continued

This scenario assumes that policy measures will be effective in partially offsetting the negative impact on private demand and limiting likely corporate defaults. In a severe scenario, lockdown measures are in place for longer, the rate of unemployment increases further and demand and investments will continue to be a drag on growth in Q3. The rebound will be weaker and pre-crisis trend will only be achieved towards mid-2021. Most likely, the outcome will be somewhere in between.

Partners Group remains selective with a thorough due diligence process, investing in only around 1-3% of the opportunities screened and focuses on longer-term, transformative growth at the sub-sector level and find strategies to create further sustainable growth through asset-level value creation. More than ever, Partners Group continues to focus sourcing efforts on assets that are strongly positioned to withstand business cycles, to be more insulated from economic swings and that can actively grow during the ownership. Another effort lies on the identification of transformative trends and as such generating higher growth rates across specific sub-sectors. Within these sub-sectors, the focus lies on companies that enable an active build out of cash flows and develop valuation resilience at the asset level through value creation and strong entrepreneurial governance.

In addition, Partners Group continues to look for assets that, to-date, have been shielded from the large yield compression. One such example is private debt. For both senior and junior debt, spreads in the US and Europe remain at a healthy margin and well above pre-crisis levels as opposed to high yield bonds. Even if benchmark rates go deeper into negative territory in some regions, loan terms incorporate a zero floor. In a late-cycle environment and borrower-friendly private debt market with low covenant protection, even greater emphasis is placed on the proactive sourcing of defensive credits and on applying strict underwriting discipline. Although private debt offers no or very limited return upside from growth, the same thematic investing and due diligence approach as applied for private equity is being adopted, albeit with an increased focus on resilience. This enables Partners Group to get comfortable with revenue and earnings stability as a means of protecting debt-servicing requirements.

On the real estate side, Partners Group continues to see relative value in residential and office properties located in gentrifying suburbs outside of central business districts. Examples include the need for adaptable office and logistics properties or combined residential and office properties that cater to live-work-play lifestyles. Current market conditions can provide attractive new investment opportunities. An increase in traditional secondaries transactions could offer the potential for discounts. This combined with property owners in need of liquidity and sellers running into debt issues, Partners Group continues to seek out new opportunities and review previously monitored properties. The current uncertainty could generate even more difficult seller situations where quality properties can be acquired at attractive new market valuations without broker involvement or highly competitive auction processes.

Since the year end we have seen the development of the coronavirus covid-19 outbreak initially in China and now reaching most continents. At present it is not possible to assess the detailed impact, of this emerging risk, on the companies in our portfolio but there is growing concern about the impact on the world economy. There has been a significant correction in the financial markets in the last few weeks. The Investment Manager continues to watch the efforts of governments to contain the spread of the virus and monitor the economic impact, if any, on the companies in our portfolio.



**Manager's Report *continued***

Please note that the following tables are on a look-through basis, investments executed after 31 December 2019 are not considered.

**Top 10 Investments**

<b>Investment</b>	<b>Type</b>	<b>% of Fund NAV</b>
GlobalLogic	Direct	2.7%
Project Reach	Secondary	1.8%
Techem Metering GmbH	Direct	1.7%
Project Cobalt	Secondary	1.6%
Project Moon (Beijing office and retail asset)	Direct	1.5%
Zabka Polska SA	Direct	1.5%
Project Rapid (Bay area office portfolio)	Secondary	1.4%
Spring Education Group	Direct	1.3%
Nestlé Skin Health	Direct	1.3%
Hearthside Food Solutions	Direct	1.2%

**Top 10 Debt Investments**

<b>Investments</b>		<b>% of Fund NAV</b>
Techem Metering GmbH	Direct	1.7%
Nestlé Skin Health	Direct	1.3%
Arnott's Biscuits	Direct	1.0%
JLA	Direct	0.8%
Vetcor Professional Practices	Direct	0.7%
Goldenes Haus Frankfurt	Direct	0.7%
Advanced Computer Software	Direct	n.a.
UK Light Industrial Portfolio	Direct	0.6%
Zentiva B.V.	Direct	0.6%
Waystar	Direct	0.6%

**Portfolio Exposure by Industries**

<b>Investments</b>	<b>% of value of investments</b>
Financials	26.4%
Information technology	13.1%
Consumer discretionary	12.6%
Health Care	11.9%
Industrials	10.3%
Consumer staples	7.8%
Utilities	7.5%
Materials	4.5%
Energy	3.5%
Telecommunication services	2.4%

**Manager's Report *continued*****Private Markets Portfolio Exposure by Countries**

<b>Country</b>	<b>% of Fund NAV</b>
United States of America	36.5%
United Kingdom	10.8%
Germany	6.0%
France	5.6%
China	3.8%
Netherlands	3.7%
Australia	2.8%
Italy	2.3%
Canada	2.2%
Other	26.3%

**Currency Exposure (including hedging)\*****B Class Accumulation Shares - Currency**

GBP	81.8%
CNY	3.6%
EUR	2.6%
USD	2.0%
CAD	1.7%
AUD	1.6%
Other	6.7%

**P Class Accumulation Shares - Currency**

GBP	81.8%
CNY	3.6%
EUR	2.6%
USD	2.0%
CAD	1.7%
AUD	1.6%
Other	6.7%

**J Class Accumulation Shares - Currency**

GBP	81.8%
CNY	3.6%
EUR	2.6%
USD	2.0%
CAD	1.7%
AUD	1.6%
Other	6.7%

**Manager's Report *continued*****Currency Exposure (including hedging)\* *continued*****I Class Accumulation Shares**

GBP	81.8%
CNY	3.6%
EUR	2.6%
USD	2.0%
CAD	1.7%
AUD	1.6%
Other	6.7%

\*Estimated on a look through basis

**Current Leverage****B Class Accumulation Shares - Currency**

Leverage as calculated under the gross method	157.3%
Leverage as calculated under the commitment method	100.6%
Percentage of assets subject to special arrangements arising from their illiquid nature	0.0%

## Manager's Report continued

The table below shows the largest 10 purchases and sales for the year:

Purchases	£	Sales	£
Partners Group Global Senior Loan Master SICAV 'P' (USD) Fund*	53,008,560	UK Government 3.75% 07/9/2019	9,000,000
Partners Group Generations S.A., SICAV-SIF - Private Markets (GBP) Fund*	20,600,000	US Treasury 0% 02/7/2019	3,959,612
Partners Group Generations S.A., SICAV-SIF - Loan Access Fund*	16,945,066	Union Pacific	2,096,229
UK Government 3.75% 07/9/2019	9,042,120	Wind Tre 2.75% FRN 20/1/2024	1,876,749
Partners Group Generations (EUR) IC Limited*	7,316,399	Inmarsat Finance 6.5% 01/10/2024	1,429,356
Partners Group Generations (USD) IC Limited*	5,122,149	Brookfield Infrastructure Partners	1,342,841
US Treasury 0% 02/7/2019	3,933,640	BBGI	1,208,454
Galaxy Bidco 6.5% 31/7/2026	3,378,245	Enbridge	1,027,762
Promontoria 264 6.25% FRN 15/8/2023	2,435,621	Edison International	969,103
Canadian National Railway	1,944,303	Atlantia	910,476

\*Related party investment.

**Fund Information****Launch date**

3 May 2016

**Accounting dates**

30 June (Interim)

31 December (Final)

**Income allocation dates**

31 August (Interim)

30 April (Final)

**Synthetic Risk and Reward Indicator (SRRI)**

The Risk and Reward Indicator below demonstrates in a standard format where the Sub-fund ranks in terms of its potential risk and reward. It is based on historical performance data, may change over time and may not be a reliable indication of the future risk profile of the Sub-fund. The shaded area in the table below shows the Sub-fund's ranking. The higher the rank the greater the potential reward but the greater the risk of losing money.



The Sub-fund is rated as 3 out of 7, which is a medium-low risk class. The risk and reward profile above is calculated by the ACD on a scale of 1-7 using the standard calculations based on historical volatility of the Sub-fund. The Sub-Fund was previously rated as 5 out of 7. The lowest category does not mean a Sub-fund is a risk free investment. The Sub-fund is subject to different risks which are not included in the risk reward indicator calculation.

## Comparative Tables

<b>B Class Accumulation Shares</b>	<b>01/01/2019 to 31/12/2019 (pence per share)</b>	<b>01/01/2018 to 31/12/2018 (pence per share)</b>	<b>01/01/2017 to 31/12/2017 (pence per share)</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	122.50	119.54	108.24
Return before operating charges*	20.64	4.85	13.62
Operating charges	(2.40)	(1.89)	(2.32)
Return after operating charges	18.24	2.96	11.30
Distributions	0.00	0.00	0.00
Retained distributions on accumulation shares	0.00	0.00	0.00
<b>Closing net asset value per share</b>	<b>140.74</b>	<b>122.50</b>	<b>119.54</b>
*After direct transaction costs of	(0.02)	(0.03)	(0.05)
<b>Performance</b>			
Return after charges	14.89%	2.48%	10.44%
<b>Other information</b>			
Closing net asset value (£)	12,592,767	28,921,818	28,224,570
Closing number of shares	8,947,630	23,610,387	23,610,387
Operating charges**	1.83%	1.57%	2.04%
Direct transaction costs*	0.02%	0.03%	0.04%
Performance fee	0.60%	0.60%	0.59%
<b>Prices</b>			
Highest share price	138.00	122.90	119.30
Lowest share price	120.80	117.50	107.20

\*Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread and underlying costs with regard to Collective Investment Scheme holdings which will also have reduced the sub-fund and share class returns before operating charges.

\*\*The Operating Charges figure represents the annual operating expenses of the share class expressed as a percentage of average net assets for the year. The Operating Charges figure includes the Manager's periodic charge and all charges which are deducted directly from the sub-fund and also underlying fund investments expenses. The Operating Charges figure is expressed as an annual percentage rate.

The ACD has agreed, on a discretionary basis, to waive a portion of their fee, to seek to achieve an Operating Charges figure of no more than 2.25%. A more detailed breakdown of costs incurred is disclosed under the Value for Money Assessment on pages 44-51.

The closing net asset value per share, for 31 December 2019 and December 2017, are higher than the highest published share price due to period end accounting adjustments.

## Comparative Tables continued

<b>P Class Accumulation Shares</b>	<b>01/01/2019 to 31/12/2019 (pence per share)</b>	<b>01/01/2018 to 31/12/2018 (pence per share)</b>	<b>01/01/2017 to 31/12/2017 (pence per share)</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	114.16	111.82	101.22
Return before operating charges*	19.04	4.05	12.76
Operating charges	(2.24)	(1.71)	(2.16)
Return after operating charges	16.80	2.34	10.60
Distributions	0.00	0.00	0.00
Retained distributions on accumulation shares	0.00	0.00	0.00
<b>Closing net asset value per share</b>	<b>130.96</b>	<b>114.16</b>	<b>111.82</b>
*After direct transaction costs of	(0.02)	(0.02)	(0.04)
<b>Performance</b>			
Return after charges	14.72%	2.09%	10.47%
<b>Other information</b>			
Closing net asset value (£)	113,735,220	77,074,962	36,002,874
Closing number of shares	86,844,842	67,517,414	32,198,002
Operating charges**	1.83%	1.52%	2.03%
Direct transaction costs*	0.02%	0.03%	0.04%
Performance fee	0.60%	0.99%	0.59%
<b>Prices</b>			
Highest share price	128.30	114.60	111.60
Lowest share price	112.60	109.90	100.20

\*Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread and underlying costs with regard to Collective Investment Scheme holdings which will also have reduced the sub-fund and share class returns before operating charges.

\*\*The Operating Charges figure represents the annual operating expenses of the share class expressed as a percentage of average net assets for the year. The Operating Charges figure includes the Manager's periodic charge and all charges which are deducted directly from the sub-fund and also underlying fund investments expenses. The Operating Charges figure is expressed as an annual percentage rate.

The ACD has agreed, on a discretionary basis, to waive a portion of their fee, to seek to achieve an Operating Charges figure of no more than 2.25%. A more detailed breakdown of costs incurred is disclosed under the Value for Money Assessment on pages 44-51.

The closing net asset value per share, for 31 December 2019 and December 2017, are higher than the highest published share price due to period end accounting adjustments.



**Comparative Tables** *continued*

<b>J Class Accumulation Shares</b>	<b>01/01/2019 to 31/12/2019 (pence per share)</b>	<b>01/01/2018 to 31/12/2018 (pence per share)</b>	<b>13/11/2017 to 31/12/2017+ (pence per share)</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	103.93	100.81	100.00
Return before operating charges*	18.17	4.94	1.11
Operating charges	(2.19)	(1.82)	(0.30)
Return after operating charges	15.98	3.12	0.81
Distributions	0.00	0.00	0.00
Retained distributions on accumulation shares	0.00	0.00	0.00
<b>Closing net asset value per share</b>	<b>119.91</b>	<b>103.93</b>	<b>100.81</b>
*After direct transaction costs of	(0.02)	(0.02)	(0.01)
<b>Performance</b>			
Return after charges	15.38%	3.09%	0.81%
<b>Other information</b>			
Closing net asset value (£)	213,481,344	161,571,845	45,352,850
Closing number of shares	178,031,111	155,463,892	44,990,010
Operating charges**	1.96%	1.79%	2.21%
Direct transaction costs*	0.02%	0.03%	0.31%
Performance fee	—	—	—
<b>Prices</b>			
Highest share price	117.70	104.10	100.60
Lowest share price	102.50	99.06	99.64

\*Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread and underlying costs with regard to Collective Investment Scheme holdings which will also have reduced the sub-fund and share class returns before operating charges.

\*\*The Operating Charges figure represents the annual operating expenses of the share class expressed as a percentage of average net assets for the year. The Operating Charges figure includes the Manager's periodic charge and all charges which are deducted directly from the sub-fund and also underlying fund investments expenses. The Operating Charges figure is expressed as an annual percentage rate.

The ACD has agreed, on a discretionary basis, to waive a portion of their fee, to seek to achieve an Operating Charges figure of no more than 1.95%. A more detailed breakdown of costs incurred is disclosed under the Value for Money Assessment on pages 44-51.

+J Class Accumulation Shares launched on 13 November 2017.

The closing net asset value per share, 31 December 2019 and December 2017, are higher than the highest published share price due to a period end accounting adjustment.

## Comparative Tables continued

I Class Accumulation Shares	01/01/2019 to 31/12/2019 (pence per share)	02/08/2018 to 31/12/2018 <sup>+</sup> (pence per share)
<b>Change in net assets per share</b>		
Opening net asset value per share	100.55	100.00
Return before operating charges*	17.59	1.38
Operating charges	(2.34)	(0.83)
Return after operating charges	15.25	0.55
Distributions	0.00	0.00
Retained distributions on accumulation shares	0.00	0.00
<b>Closing net asset value per share</b>	<b>115.80</b>	<b>100.55</b>
*After direct transaction costs of	(0.02)	(0.01)
<b>Performance</b>		
Return after charges	15.17%	0.55%
<b>Other information</b>		
Closing net asset value (£)	58,919,075	8,009,360
Closing number of shares	50,882,103	7,965,716
Operating charges**	2.16%	2.00%
Direct transaction costs*	0.02%	0.04%
Performance fee	—	—
<b>Prices</b>		
Highest share price	113.60	100.90
Lowest share price	99.19	99.17

\*Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread and underlying costs with regard to Collective Investment Scheme holdings which will also have reduced the sub-fund and share class returns before operating charges.

\*\*The Operating Charges figure represents the annual operating expenses of the share class expressed as a percentage of average net assets for the year. The Operating Charges figure includes the Manager's periodic charge and all charges which are deducted directly from the sub-fund and also underlying fund investments expenses. The Operating Charges figure is expressed as an annual percentage rate.

The ACD has agreed, on a discretionary basis, to waive a portion of their fee, to seek to achieve an Operating Charges figure of no more than 1.95%. A more detailed breakdown of costs incurred is disclosed under the Value for Money Assessment on pages 44-51.

+I Class Accumulation Shares launched on 2 August 2018.

The closing net asset value per share, for 31 December 2019 is higher than the highest published share price due to a period end accounting adjustment.

## Comparative Tables continued

S Class Accumulation Shares	28/11/2019 to 31/12/2019+ (pence per share)
<b>Change in net assets per share</b>	
Opening net asset value per share	100.00
Return before operating charges*	3.24
Operating charges	(0.19)
Return after operating charges	3.05
Distributions	0.00
Retained distributions on accumulation shares	0.00
<b>Closing net asset value per share</b>	<b>103.05</b>
*After direct transaction costs of	(0.02)
<b>Performance</b>	
Return after charges	3.05%
<b>Other information</b>	
Closing net asset value (£)	77,650,878
Closing number of shares	75,352,302
Operating charges**	1.99%
Direct transaction costs*	0.02%
Performance fee	—
<b>Prices</b>	
Highest share price	101.12
Lowest share price	100.00

\*Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread and underlying costs with regard to Collective Investment Scheme holdings which will also have reduced the sub-fund and share class returns before operating charges.

\*\*The Operating Charges figure represents the annual operating expenses of the share class expressed as a percentage of average net assets for the year. The Operating Charges figure includes the Manager's periodic charge and all charges which are deducted directly from the sub-fund and also underlying fund investments expenses. The Operating Charges figure is expressed as an annual percentage rate.

The ACD has agreed, on a discretionary basis, to waive a portion of their fee, to seek to achieve an Operating Charges figure of no more than 1.95%. A more detailed breakdown of costs incurred is disclosed under the Value for Money Assessment on pages 44-51.

+S Class Accumulation Shares launched on 28 November 2019.

The closing net asset value per share, for 31 December 2019 is higher than the highest published share price due to a period end accounting adjustment.

**Portfolio Statement**

as at 31 December 2019

Investment	Currency	Holding	Market Value (£)	Total Net Assets (%)
<b>Transferable securities admitted to an official stock exchange</b>				
<b>Corporate Bonds 4.56% (2018 - 5.26%)</b>				
Arrow Global Finance 5.125% 15/9/2024	GBP	500,000	506,900	0.11
Galaxy Bidco 6.5% 31/7/2026	GBP	3,350,000	3,540,615	0.74
GLX AS 7.07% FRN 08/12/2023	NOK	8,500,000	750,809	0.16
HCA 5.875% 01/5/2023	USD	1,080,000	900,980	0.19
International Design 6% FRN 15/11/2025	EUR	1,730,000	1,480,644	0.31
Iron Mountain 3.875% European Medium Term Notes 15/11/2025	GBP	890,000	909,909	0.19
Laeringsverkstedet 5.84% FRN 01/6/2022	NOK	8,500,000	727,698	0.15
ML 5.5% 27/12/2021	NOK	9,000,000	782,720	0.16
MPT Operating Partnership 5.5% 01/5/2024	USD	1,895,000	1,468,008	0.31
Paprec 3.5% FRN 31/3/2025	EUR	1,850,000	1,474,247	0.31
Picard 3% FRN 30/11/2023	EUR	3,300,000	2,736,662	0.58
Promontoria 264 6.25% FRN 15/8/2023	EUR	2,995,000	2,219,604	0.47
TeamSystem 4% FRN 15/4/2023	EUR	1,420,000	1,206,194	0.25
Virgin Media Receivables Financing Notes I DAC 5.5% 15/9/2024	GBP	2,935,000	3,015,008	0.63
			<b>21,719,998</b>	<b>4.56</b>
<b>Equities 13.61% (2018 -15.90%)</b>				
Ackermans & Van Haaren	EUR	3,661	433,352	0.09
Aena	EUR	19,412	2,804,394	0.59
Aeroports de Paris	EUR	2,201	327,483	0.07
American Water Works	USD	30,550	2,832,116	0.59
Annaly Capital Management	USD	128,715	913,320	0.19
APA	AUD	231,104	1,359,976	0.29
Apollo Global Management 'A'	USD	16,634	598,811	0.13
Ares Capital	USD	61,959	872,267	0.18
Ares Management	USD	24,932	670,938	0.14
Atlantia	EUR	44,666	786,443	0.16
Atmos Energy	USD	33,542	2,830,973	0.59
Blackstone	USD	17,162	724,567	0.15
Canadian National Railway	CAD	27,508	1,876,888	0.39
Castellum	SEK	106,126	1,882,729	0.40
Cellnex Telecom	EUR	60,002	1,944,142	0.41
CK Infrastructure	HKD	348,000	1,869,427	0.39
CMS Energy	USD	29,880	1,416,692	0.30
Crown Castle International	USD	26,563	2,849,294	0.60
Enbridge	CAD	63,388	1,905,127	0.40
EQT AB	SEK	14,862	130,332	0.03
Eurazeo	EUR	9,752	502,804	0.10
Eutelsat Communications	EUR	60,721	745,507	0.16
Ferrovial	EUR	93,070	2,111,858	0.44
Flughafen Zuerich	CHF	12,053	1,659,243	0.35
Fortis	CAD	45,357	1,418,388	0.30
Gimv	EUR	21,937	1,018,597	0.21
Intermediate Capital	GBP	55,242	889,396	0.19
Investor 'B'	SEK	14,092	581,362	0.12
Italgas	EUR	297,870	1,373,503	0.29
KKR	USD	32,129	706,971	0.15
Link REIT	HKD	118,500	946,535	0.20
Mapletree Logistics Trust	SGD	978,200	950,029	0.20
Mid-America Apartment Communities	USD	14,228	1,415,873	0.30
National Grid	GBP	248,661	2,348,106	0.49
New Mountain Finance	USD	69,383	719,624	0.15
Onex	CAD	15,141	721,420	0.15
Partners	CHF	1,935	1,338,519	0.28

## Portfolio Statement continued

as at 31 December 2019

Investment	Currency	Holding	Market Value (£)	Total Net Assets (%)
<b>Equities (continued)</b>				
Republic Services	USD	24,447	1,653,483	0.35
Sofina	EUR	1,472	239,970	0.05
Solar Capital	USD	45,889	713,579	0.15
STAG Industrial	USD	39,316	936,343	0.20
TC Energy	CAD	47,187	1,894,237	0.40
Terna	EUR	157,484	794,492	0.17
Unibail-Rodamco-Westfield	EUR	7,963	948,651	0.20
Union Pacific	USD	12,234	1,668,755	0.35
Veolia Environnement	EUR	93,884	1,885,317	0.39
Vinci	EUR	39,937	3,342,634	0.70
Vonovia	EUR	35,072	1,425,227	0.30
Wendel	EUR	8,661	866,687	0.18
			<b>64,846,381</b>	<b>13.61</b>
<b>Fund Investments 70.56% (2018 - 71.64%)</b>				
BBGI	GBP	1,009,312	1,680,504	0.35
HarbourVest Global Private Equity Fund	GBP	32,968	590,127	0.12
HG Capital Investment Trust	GBP	404,562	1,037,702	0.22
HICL Infrastructure	GBP	697,361	1,189,698	0.25
ICG Enterprise Trust	GBP	60,117	590,349	0.12
NB Private Equity Partners Fund	GBP	38,287	457,530	0.10
Partners Group Generations (EUR) IC Limited <sup>1</sup>	EUR	9,129,566	23,032,158	4.84
Partners Group Generations (GBP) IC Limited <sup>1</sup>	GBP	11,086,525	16,538,557	3.47
Partners Group Generations (USD) IC Limited <sup>1</sup>	USD	14,064,775	20,143,633	4.23
Partners Group Generations S.A., SICAV-SIF - Loan Access Fund <sup>1</sup>	USD	6,177,540	53,842,409	11.30
Partners Group Global Senior Loan Master SICAV 'P' (USD) Fund <sup>1</sup>	USD	101,710	82,715,899	17.36
Partners Group Generations S.A., SICAV-SIF - Private Markets (GBP) Fund <sup>1</sup>	GBP	7,211,899	134,314,335	28.20
			<b>336,132,901</b>	<b>70.56</b>
<b>Derivatives</b>				
<b>Forward Currency Contracts 0.75% (2018 - (0.18)%)</b>				
Buy GBP-3,409,257 / Sell AUD-6,500,000	GBP	3,409,257	(39,235)	(0.01)
Buy GBP-39,392,708 / Sell EUR-46,500,000	GBP	39,392,708	(112,597)	(0.02)
Buy GBP-39,472,390 / Sell EUR-46,600,000	GBP	39,472,390	(117,872)	(0.02)
Buy GBP-9,720,151 / Sell USD-12,600,000	GBP	9,720,151	223,245	0.05
Buy GBP-11,024,629 / Sell USD-14,500,000	GBP	11,024,629	95,650	0.02
Buy GBP-57,009,867 / Sell USD-74,100,000	GBP	57,009,867	1,159,015	0.24
Buy GBP-57,018,641 / Sell USD-74,100,000	GBP	57,018,641	1,167,788	0.24
Buy GBP-57,021,273 / Sell USD-74,100,000	GBP	57,021,273	1,170,420	0.25
			<b>3,546,414</b>	<b>0.75</b>
<b>Portfolio of investments</b>			<b>426,245,694</b>	<b>89.48</b>
<b>Net current assets</b>			<b>50,133,590</b>	<b>10.52</b>
<b>Total Net Assets</b>			<b>476,379,284</b>	<b>100.00</b>

<sup>1</sup>Related party investments which are unlisted securities.

Unless otherwise indicated, the holdings in the Portfolio Statement represent the ordinary shares, ordinary stock units, common shares or debt securities of the relevant companies or issuers, which are listed on an eligible securities market.

## Financial Statements

## Statement of total return

for the year 1 January 2019 to 31 December 2019

	Notes	01/01/2019 to 31/12/2019		01/01/2018 to 31/12/2018	
		£	£	£	£
Income					
Net capital gains	2		50,936,258		7,165,789
Revenue	3	3,136,055		2,825,728	
Expenses	4	(5,271,841)		(3,608,535)	
Interest payable and similar charges	6	(31,744)		(2,582)	
Net expense before taxation		(2,167,530)		(785,389)	
Taxation	5	(261,870)		(164,391)	
Net expense after taxation			(2,429,400)		(949,780)
<b>Total return before distributions</b>			<b>48,506,858</b>		<b>6,216,009</b>
Distributions	7		—		—
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>48,506,858</b>		<b>6,216,009</b>

## Statement of change in net assets attributable to shareholders

for the year 1 January 2019 to 31 December 2019

	01/01/2019 to 31/12/2019		01/01/2018 to 31/12/2018	
	£	£	£	£
<b>Opening net assets attributable to shareholders</b>		<b>275,577,985</b>		<b>109,580,294</b>
Amounts receivable on issue of shares	200,153,626		160,873,385	
Amounts payable on cancellation of shares	(47,865,121)		(1,091,703)	
		152,288,505		159,781,682
Dilution adjustment		5,936		—
Change in net assets attributable to shareholders from investment activities		48,506,858		6,216,009
<b>Closing net assets attributable to shareholders</b>		<b>476,379,284</b>		<b>275,577,985</b>

Financial Statements *continued***Balance sheet**

as at 31 December 2019

	Notes	31/12/2019 £	31/12/2018 £
<b>Assets</b>			
Fixed assets			
Investment assets		426,515,398	255,912,668
Current assets			
Debtors	8	5,827,405	405,662
Cash and bank balances	9	<u>46,912,581</u>	<u>22,524,796</u>
Total assets		<u>479,255,384</u>	<u>278,843,126</u>
<b>Liabilities</b>			
Investment liabilities		(269,704)	(671,066)
Creditors			
Creditors	10	<u>(2,606,396)</u>	<u>(2,594,075)</u>
Total liabilities		<u>(2,876,100)</u>	<u>(3,265,141)</u>
<b>Net assets attributable to shareholders</b>		<u><b>476,379,284</b></u>	<u><b>275,577,985</b></u>



**Andrew Campbell**  
Director



**Michael Bryant**  
Director



**Financial Statements** *continued***Cash flow statement**

for the year 1 January 2019 to 31 December 2019

	Notes	01/01/2019 to 31/12/2019		01/01/2018 to 31/12/2018	
		£	£	£	£
<b>Cash flows from operating activities</b>	17				
Net cash flow from operating activities			2,155,291		(5,070,062)
<b>Cash flows from investing activities</b>					
Payments to acquire investments		(169,243,887)		(152,362,325)	
Receipts from sales of investments		<u>43,908,103</u>		<u>8,862,460</u>	
			(125,335,784)		(143,499,865)
<b>Cash flows from financing activities</b>					
Servicing of finance:					
Bank interest		(31,744)		(2,582)	
Financing:					
Amounts received on issue of shares		195,415,511		160,789,566	
Amounts paid on cancellation of shares		(47,821,425)		(1,091,703)	
Dilution adjustment		<u>5,936</u>		<u>—</u>	
			<u>147,568,278</u>		<u>159,695,281</u>
<b>Net increase in cash in the year</b>	18		<b><u>24,387,785</u></b>		<b><u>11,125,354</u></b>

## Notes to the Financial Statements

as at 31 December 2019

### 1 (a) Accounting policies

#### Basis of accounting

The financial statements have been prepared on a going concern basis in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds' issued by the Investment Management Association (now known as The Investment Association) in May 2014 (the "SORP"), updated in June 2017.

#### Valuation of investments

The valuation of the Sub-fund's listed investments is based on the bid-market prices at the closing valuation point on the last day of the accounting period in accordance with the provisions of the Prospectus.

Investments in other collective investment schemes (CIS), managed by the ACD or associate of the ACD are valued at the cancellation price for dual priced Funds and at the single price for single priced Funds. Valuations take into account any agreed rate of redemption charge.

#### Revenue

Interest on bank deposits is recognised on an accrual basis.

Dividends including withholding tax from overseas authorities are treated as receivable on the date on which the security is quoted ex-dividend where the amounts can be reasonably determined.

Revenue from debt securities is accounted for on an effective interest basis, so that any premium or discount in the purchase price is amortised over the remaining life of the security.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

All distributions from Collective Investment Schemes, including Private Market Investments are recognised when the securities are quoted ex-dividend. All distributions from holdings in Collective Investment Schemes are treated as revenue with the exception of the equalisation element, which is treated as capital.

Equalisation received by the Sub-fund on distributions made by its investments is offset against the cost of the relevant investment.

#### Expenses

Expenses are recognised on an accruals basis and are charged against the income account except for costs associated with the purchase and sale of investments, which are allocated to the capital of the Sub-fund.

In addition to the Management Fee, the ACD is entitled, at its discretion, to a performance fee payable by the Sub-fund (the "Performance Fee").

The Performance Fee will be calculated and crystallized on each Dealing Day, subject to the Sub-fund Charge Cap, with the Net Asset Value adjusted accordingly to reflect the amount of Performance Fee payable to the ACD and will be payable annually (as of last day of period). The Performance Fee will be calculated in relation to each Sub-fund and Class of Shares separately.

The Performance Fee will be equal to 10% of the daily performance amount subject to the share class charge cap of 2.25% per annum on the B Class Accumulation Shares, the P Class Accumulation Shares and 1.95% on the I class Accumulation and the J class Accumulation.

The ACD will only be entitled to be paid a Performance Fee if the Gross Asset Value per Share is greater than the Base Asset Value per Share. Since the Base Asset Value per Share must be exceeded for a Performance Fee to be payable, no Performance Fee will be paid where the NAV has performed flat or negatively.

The Performance Fee is calculated on the basis of the Net Asset Value per Share and therefore will be based on net realised and net unrealised gains and losses. As a result, Performance Fees may be paid on unrealised gains which may subsequently not be realised.

**Notes to the Financial Statements** continued**1 (a) Accounting policies** continued**Expenses** continued

The Performance Fee payable to the ACD may be reduced to the extent required so that all applicable fees and charges payable by the Sub-fund do not exceed the share class charge cap of 2.25% per annum for B Class Accumulation Shares and P Class Accumulation Shares.

A share class charge cap of 1.95% is applicable to I Class Accumulation Shares, J Class Accumulation Shares and S Class Accumulation Shares. No Performance fee is charged to the I Class Accumulation Shares or J Class Accumulation Shares.

The following is key terminology relating to the performance fee;

Where:

“Daily Performance Amount per Share” means an amount equal to the greater of (i) 0, and (ii) the Gross Asset Value per Share minus the Base Asset Value per Share provided that the Gross Asset Value per Share exceeds the highest Net Asset Value per Share previously reached in the respective year;

“Daily Performance Amount” means (i) the Daily Performance Amount per Share times (ii) the number of Shares in issue on such Dealing Day (before adding Shares to be issued and deducting Share to be redeemed, respectively, as of such Dealing Day);

“Gross Asset Value per Share” means the Net Asset Value per Share (before deduction for any Performance Fee on such Dealing Day);

“Base Asset Value per Share” means the greater of (i) the Net Asset Value per Share at the time of the first issue of Shares of the Sub-fund (i.e. its launch price), and (ii) the High Watermark;

“High Watermark” means the Net Asset Value per Share (after deduction for any Performance Fee) as of such Dealing Day when a Performance Fee was paid last time, provided that the High Watermark may be adjusted at year end to take into account the reduction of the amount of Performance Fee paid due to the Sub-fund Charge Cap.

**Allocation of income and expenses to multiple share classes**

The allocation of income and expenses to each share class is based on the proportion of the Sub-fund's assets attributable to each share class on the day the income is earned or the expense is incurred. The ACD's periodic charge and general administration charge are allocated on a share class specific basis.

**Taxation**

The Sub-fund is subject to corporation tax at 20%, however, the Sub-fund operates under the Tax Elected Fund regime, and therefore the Sub-fund can make distributions divided between dividend distributions and non-dividend distributions. There were no dividend distributions or non-dividend distribution made for this accounting year and no corporation tax liability arose.

**Exchange rates**

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling on the date of the transaction. Investments and other assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates applicable at the closing valuation point on the last day of the accounting period.

**1 (b) Distribution policies**

The Sub-fund's net revenue available for distribution at the end of each distribution period will be paid as a TEF distribution, split between a dividend and non-dividend element. Should the expenses of the Sub-fund (including taxation) exceed the revenue account of the Sub-fund, there will be no distribution and at the end of the financial period the shortfall will be met by the capital account of the Sub-fund. Any revenue attributable to accumulation shareholders is retained within the Sub-fund at the end of the distribution period and represents a reinvestment of revenue on behalf of the accumulation shareholders. The policy of each Sub-fund is to make an interim and a final distribution in each financial period.

## Notes to the Financial Statements continued

**2 Net capital gains**

	<b>01/01/2019 to 31/12/2019</b>	<b>01/01/2018 to 31/12/2018</b>
	<b>£</b>	<b>£</b>
Non derivative securities	41,644,500	14,119,237
Forward currency contracts	9,036,405	(6,408,653)
Foreign currency	268,153	(534,749)
Custodian transaction charges	(12,800)	(10,046)
<b>Net capital gains</b>	<b>50,936,258</b>	<b>7,165,789</b>

Net gains listed above of £50,949,058 comprise net realised gains of £7,180,112 and net unrealised gains of £43,768,946 (31/12/18: Net gains listed above of £7,175,835 comprise net realised losses of £(6,331,035) and net unrealised gains of £13,506,870).

**3 Revenue**

	<b>01/01/2019 to 31/12/2019</b>	<b>01/01/2018 to 31/12/2018</b>
	<b>£</b>	<b>£</b>
Equalisation income	692,596	557,585
Franked dividends from Collective Investment Schemes	31,435	—
Interest from UK bank deposits	48,613	6,124
Interest from Overseas debt securities	755,800	563,895
Interest from UK debt securities	116,276	105,814
Non-taxable overseas dividends	1,150,616	1,272,578
Non-US Overseas REIT dividends	37,601	15,779
Taxable overseas dividends	51,106	44,062
UK dividends	110,943	99,436
US REIT dividends	141,069	160,455
<b>Total revenue</b>	<b>3,136,055</b>	<b>2,825,728</b>

## Notes to the Financial Statements continued

## 4 Expenses

	01/01/2019 to 31/12/2019 £	01/01/2018 to 31/12/2018 £
<b>Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director and agents of either of them:</b>		
Authorised Corporate Director's periodic charge	4,929,844	2,499,717
Performance fee*	660,804	666,198
Expenses refundable by the Authorised Corporate Director	(783,423)	24,868
	<b>4,807,225</b>	<b>3,190,783</b>
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fee	<b>79,890</b>	<b>48,354</b>
<b>Other expenses</b>		
Administration charges	103,493	72,119
Audit fee**	63,210	62,217
Legal and professional fees	65,081	78,590
Registration fees	85,669	89,656
Safe custody fees	46,085	45,628
Set up costs	21,188	21,188
	<b>384,726</b>	<b>369,398</b>
<b>Total expenses</b>	<b>5,271,841</b>	<b>3,608,535</b>

\*The Performance fee payable to the ACD may be reduced to the extent required so that all applicable fees and charges payable by the Sub-fund do not exceed the share class charge cap of 2.25% on B Class Accumulation Shares and P Class Accumulation Shares and a share class charge cap of 1.95% on I Class Accumulation Shares, J Class Accumulation Shares and S Class Accumulation Shares

The high watermark of the B Class Accumulation Share class was £137.78 at the year end date 31 December 2019 (31/12/2018: £121.20). The high watermark of the P Class Accumulation Share class was £128.21 at the year end date 31 December 2019 (31/12/2018: £112.94). The high watermark will only be adjusted for after payout.

\*\*Audit fee is £52,270 (31/12/2018: £48,770) plus VAT.

## Notes to the Financial Statements continued

## 5 Taxation

	01/01/2019 to 31/12/2019 £	01/01/2018 to 31/12/2018 £
<b>(a) Analysis of charge in year</b>		
Overseas tax	261,870	164,391
<b>Total tax charge for the year (see note 5(b and c))</b>	<b>261,870</b>	<b>164,391</b>

Corporation tax has been provided at a rate of 20%.

**(b) Factors affecting current tax charge for the year**

The tax assessed for the year is higher (2018 - higher) than the standard rate of corporation tax in the UK for an authorised investment company with variable capital. The differences are explained below:

Net expense before taxation	(2,167,530)	(785,389)
Corporation tax at 20% (31/12/2018 20%)	(433,506)	(157,078)
Effects of:		
Movement in unrecognised tax losses	708,603	437,514
Prior year adjustment to tax losses	—	660
Revenue not subject to tax	(256,596)	(274,403)
Overseas tax	261,870	164,391
Relief on overseas tax	(18,501)	(6,693)
<b>Total tax charge for the year (see note 5(a))</b>	<b>261,870</b>	<b>164,391</b>

**(c) Deferred tax**

The Sub-fund has unrelieved excess management expenses resulting in a potential deferred tax asset of £1,264,836 (2018: £556,233). It is unlikely that the Sub-fund will generate sufficient taxable profits in the future to utilise these and therefore no deferred tax asset has been recognised.

## 6 Interest payable and similar charges

	01/01/2019 to 31/12/2019 £	01/01/2018 to 31/12/2018 £
Interest	31,744	2,582
<b>Total interest payable for the year</b>	<b>31,744</b>	<b>2,582</b>

## Notes to the Financial Statements continued

**7 Distributions**

	<b>01/01/2019 to 31/12/2019</b>	<b>01/01/2018 to 31/12/2018</b>
	<b>£</b>	<b>£</b>
Final distribution	—	—
<b>Distributions for the year</b>	<b>—</b>	<b>—</b>
The distributable amount has been calculated as follows:		
Net expense after taxation for the year	(2,429,400)	(949,780)
Add: Equalisation on conversions	3,649	—
Amounts received on issue of shares	(672,071)	(622,177)
Amounts paid on cancellation of shares	309,410	66,307
Shortfall of income taken to capital	2,788,412	1,505,650
<b>Net distribution for the year</b>	<b>—</b>	<b>—</b>

**8 Debtors**

	<b>31/12/2019</b>	<b>31/12/2018</b>
	<b>£</b>	<b>£</b>
Accrued revenue	359,855	246,143
Amounts receivable on issue of shares	4,813,101	83,819
Amounts receivable from counterparties in respect of collateral on derivatives	503,324	—
Overseas withholding tax	151,125	75,700
<b>Total debtors</b>	<b>5,827,405</b>	<b>405,662</b>

**9 Cash, Bank Balances & Cash Equivalents**

	<b>31/12/2019</b>	<b>31/12/2018</b>
	<b>£</b>	<b>£</b>
Amount held at futures clearing houses and brokers	—	1,998,324
Cash held at bank	46,912,581	20,526,472
<b>Total</b>	<b>46,912,581</b>	<b>22,524,796</b>

**10 Creditors**

	<b>31/12/2019</b>	<b>31/12/2018</b>
	<b>£</b>	<b>£</b>
<b>Creditors</b>		
Accrued expenses	1,682,700	2,594,075
Amounts payable on cancellation of shares	43,696	—
Amounts payable to counterparties in respect of collateral on derivatives	880,000	—
<b>Total</b>	<b>2,606,396</b>	<b>2,594,075</b>



**Notes to the Financial Statements** continued**11 Contingent liabilities**

There were no contingent liabilities at the Balance Sheet date.

**12 Related party transactions**

The ACD is a related party and is regarded as a controlling party by virtue of having the ability to act in respect of the operation of the Sub-fund.

The ACD acts as principal in respect of all transactions of the shares in the Sub-fund. The aggregate monies received through issues and paid on cancellations are disclosed in the Statement of Change in Net Assets Attributable to Shareholders. Any amounts due to or from the ACD at the year end are disclosed within debtors and creditors.

Amounts payable to the ACD in respect of periodic charge and performance fee are disclosed within expenses and amounts due at the year end are disclosed within creditors. Amounts payable to the ACD as at 31 December 2019 for periodic charges are £1,524,552 (31/12/2018: £1,384,751) and performance fees £660,804 (31/12/2018: £992,980). Amounts refundable to the ACD as at 31 December 2019 are £753,085 (31/12/2018: Amounts payable to the ACD £30,338).

Details of related party investments are disclosed within the portfolio statement.

**13 Financial instruments**

In pursuing its investment objective and investment policy, the Sub-fund holds a number of financial instruments.

These may comprise:

- Shares or units in United Kingdom or offshore equities, bonds or collective investment schemes. These are held in accordance with the Sub-funds' investment policies;
- Cash, liquid resources and short term debtors and creditors that arise directly from its operation;
- Short term borrowings used to finance operational cash flows;
- The use of forwards for the purposes of Efficient Portfolio Management.

The main risks arising from the financial instruments are market price (including "emerging markets price risk"), foreign currency, interest rate, liquidity and counterparty credit risk. The ACD reviews the policies for managing each of these risks and they are summarised below.

These policies have remained unchanged since the beginning of the year to which these financial statements relate.

**Market price risk**

Market price risk is the risk that the Sub-fund might suffer potential loss through holding market positions in the face of price movements. It arises mainly due to uncertainty about future prices of financial instruments held.

It represents the potential loss a Sub-fund may suffer through holding market positions in the face of market movements and changes in exchange rates. Market risk is the risk that changes in interest rates, foreign exchange rates or equity and commodity prices will make an instrument less valuable or more onerous.

The Sub-fund's investment portfolio is monitored by the ACD in pursuance of its investment objective and policy as set out in the prospectus.

The Sub-fund's market risk is managed by the Investment Manager within a rigorous risk management framework. The Sub-fund invests in a wide range of securities and uses a mixture of qualitative and quantitative techniques to achieve the objective of the Sub-fund.

There is, however, no assurance that this objective will be achieved as the value of investments may fall as well as rise and investors may not recoup the original amount invested.

**Notes to the Financial Statements** *continued***13 Financial instruments** *continued***Market price risk** *continued*

The difference at any one time between the cost of subscribing for shares and the amount received on redeeming shares means that any investment in any Sub-fund should be viewed as a medium to long-term investment.

Market risk is controlled and monitored through the application of pre-agreed portfolio control ranges which cover asset allocation, duration, yield curve and liquidity. The Investment Manager will use historic data to measure market risk, which is controlled relative to the benchmark.

**Private Equity Risk**

The Sub-fund invests in private equities which are often illiquid long-term investments that do not display the liquidity or transparency characteristics often found in other investments (e.g. listed securities). Certain investments are valued on the basis of estimated prices and therefore subject to potentially greater pricing uncertainties than listed securities.

The Sub-fund's portfolio of investments includes unregulated collective investment schemes investing in private market investments such as private equity, private real estate, private infrastructure and/or private debt (including senior loans). The ACD will determine the asset allocation of the Sub-fund's assets and will direct investments ensuring the proper diversification and spread of investment amongst the Sub-fund. This allocation will be reviewed and, if required, rebalanced regularly.

The Sub-fund expects that any or all of the Private Market Funds in which it invests may have highly concentrated portfolios, control and non-control positions and illiquid investments.

**Currency risk**

Currency risk is the risk that the revenue and net asset value of the Sub-fund may be adversely affected by movements in foreign exchange rates. The revenue and capital value of the Sub-fund's investments can be significantly affected by currency movements as some of the assets and income are denominated in currencies other than sterling, which is the Company's functional currency.

Currency exposure is monitored and is considered to be part of the overall investment process.

The Sub-fund may receive income in currencies other than sterling, and the sterling value of this income can be affected by movements in exchange rates.

## Notes to the Financial Statements continued

## 13 Financial instruments continued

## Currency Exposure Profile

The currency exposure profile of the Sub-fund's financial assets and liabilities at 31 December 2019 was as follows:

31 December 2019	Net Current Assets/(liabilities)		Total £
	Monetary exposure £	Non-monetary exposure £	
Australian dollars	1,400,372	(3,448,492)	(2,048,120)
Canadian dollars	7,882,092	—	7,882,092
Euro	53,963,606	(79,095,566)	(25,131,960)
Hong Kong dollars	2,828,527	—	2,828,527
Japanese yen	1,389	—	1,389
Norwegian krone	2,353,937	—	2,353,937
Singapore dollars	968,762	—	968,762
Swedish krona	2,640,010	—	2,640,010
Swiss francs	3,037,348	—	3,037,348
US dollars	184,559,650	(187,978,443)	(3,418,793)
<b>Total</b>	<b>259,635,693</b>	<b>(270,522,501)</b>	<b>(10,886,808)</b>

The currency exposure profile of the Sub-fund's financial assets and liabilities at 31 December 2018 was as follows:

31 December 2018	Net Current Assets/(liabilities)		Total £
	Monetary exposure £	Non-monetary exposure £	
Australian dollars	894,237	—	894,237
Canadian dollars	4,274,330	—	4,274,330
Euro	31,558,700	(58,594,370)	(27,035,670)
Hong Kong dollars	2,020,261	—	2,020,261
Japanese yen	1,431	—	1,431
Norwegian krone	3,042,827	—	3,042,827
Singapore dollars	5,761	—	5,761
Swedish krona	2,190,541	—	2,190,541
Swiss francs	2,168,837	—	2,168,837
US dollars	98,982,716	(121,971,562)	(22,988,846)
<b>Total</b>	<b>145,139,641</b>	<b>(180,565,932)</b>	<b>(35,426,291)</b>

## Notes to the Financial Statements continued

## 13 Financial instruments continued

## Interest rate risk

Interest rate risk is the risk that the revenue cashflow or the fair value of investments may be adversely affected by movements in market interest rates.

The Sub-fund invests in CIS, which, in themselves, invest in fixed rate securities and any change in interest rates may result in the Investment Manager being unable to secure similar returns in the future.

The Investment Manager manages interest rate risk to deliver the Sub-fund's required out performance, whilst maintaining capital preservation. The Investment Manager's analysis is concentrated on evaluating current Sub-fund expectations, comparing this with analysis and exploiting the difference by taking appropriate positions.

The interest rate risk profile of the Sub-fund's financial assets and liabilities, including assets held within investments in CISs, at 31 December 2019 was as follows:

	<b>Floating rate Financial assets £</b>	<b>Fixed Rate Financial assets £</b>	<b>Financial assets not carrying interest £</b>	<b>Total £</b>
Investments	10,595,858	11,124,140	404,795,400	426,515,398
<b>Total</b>	<b>10,595,858</b>	<b>11,124,140</b>	<b>404,795,400</b>	<b>426,515,398</b>

		<b>Fixed Rate Financial liabilities £</b>	<b>Financial liabilities not carrying interest £</b>	<b>Total £</b>
Investments		—	(269,704)	(269,704)
<b>Total</b>		<b>—</b>	<b>(269,704)</b>	<b>(269,704)</b>

The interest rate risk profile of the Sub-fund's financial assets and liabilities, including assets held within investments in CISs, at 31 December 2018 was as follows:

	<b>Floating rate Financial assets £</b>	<b>Fixed Rate Financial assets £</b>	<b>Financial assets not carrying interest £</b>	<b>Total £</b>
Investments	6,841,455	7,662,884	241,408,329	255,912,668
<b>Total</b>	<b>6,841,455</b>	<b>7,662,884</b>	<b>241,408,329</b>	<b>255,912,668</b>

		<b>Fixed Rate Financial liabilities £</b>	<b>Financial liabilities not carrying interest £</b>	<b>Total £</b>
Investments		—	(671,066)	(671,066)
<b>Total</b>		<b>—</b>	<b>(671,066)</b>	<b>(671,066)</b>

Sensitivity analysis is provided on page 35.

## Notes to the Financial Statements continued

## 13 Financial instruments continued

**Liquidity risk**

Liquidity risk is the risk that the Sub-fund will not be able to meet its obligations as they fall due. Due to the nature of the underlying investments held it may be difficult for a Sub-fund to realise an investment at short notice. Under certain circumstances the ACD (or Registrar on behalf of the ACD) has the ability to limit or defer redemptions. This may result in the Shareholder suffering a delay in realising his investment. As a consequence of such redemption limits, there may be periods, potentially prolonged periods even, where no redemption requests will be processed and completed, whether fully or partially, and/or no new redemption requests will be processed at all.

**Counterparty credit risk**

Counterparty credit risk is the risk of suffering loss due to another party not meeting its financial obligation.

Investments may be adversely affected by counterparty credit risk if any of the institutions with which money is deposited suffers insolvency or other financial difficulties.

The Sub-fund's maximum exposure to credit risk is reflected by the carrying value of the related assets in the balance sheet and portfolio statement.

The counterparty to open derivative contracts at the balance sheet date is shown below:

Counterparty	31/12/2019 £	31/12/2018 £
Forward Currency Contracts:		
Merrill Lynch	3,546,414	(492,403)

Collateral received from these counterparties in respect of derivative contracts was £880,000 (2018 - £Nil) in the form of cash and is shown in note 10.

Collateral pledged to these counterparties in respect of derivative contracts was £503,324 (2018 - £Nil) in the form of cash and shown in note 8.

**Credit quality**

The credit quality of the Sub-fund's investments in debt securities is shown below:

Credit quality	Net Assets - 31/12/2019		Net Assets - 31/12/2018	
	£	%	£	%
Investment grade	1,468,008	0.31	1,480,469	0.54
Non-investment grade	16,784,569	3.53	10,042,765	3.64
Not rated	3,467,421	0.72	2,981,105	1.08
<b>Total debt securities</b>	<b>21,719,998</b>	<b>4.56</b>	<b>14,504,339</b>	<b>5.26</b>

## Notes to the Financial Statements continued

## 13 Financial instruments continued

## Valuation of financial investments

The following table analyses within the fair value hierarchy the assets and liabilities measures at fair value.

	Assets £	Liabilities £
<b>31/12/2019</b>		
Level 1: Quoted	70,392,291	—
Level 2: Observable	25,536,116	(269,704)
Level 3: Unobservable	330,586,991	—

	Assets £	Liabilities £
<b>31/12/2018</b>		
Level 1: Quoted	47,360,459	—
Level 2: Observable	14,683,002	(671,066)
Level 3: Unobservable	193,869,207	—

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities the entity can access at measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 investments are made up of equities that are traded on an official stock exchange.

Level 2: inputs other than quoted prices included within level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly. Level 2 investments are made up of debt instruments and forward currency contracts.

Level 3: inputs unobservable for the asset or liability. Unobservable inputs reflect the Sub-fund's own assumptions about how market participants would be expected to value the asset or liability. Unobservable inputs are developed based on the best information available in the circumstances, other than market data obtained from sources independent from the Sub-fund and might include the Sub-fund's own data. Level 3 investments are made up of unlisted securities.

## Notes to the Financial Statements continued

## 13 Financial instruments continued

## Sensitivity Analysis

The following calculations are based on a look through to the underlying investments held by CISs that the Sub-fund invests in.

## Interest rate sensitivity

An increase of 100 basis points (1%) as at the reporting date will cause net capital gains to decrease by £1,370,900 (31/12/2018: £736,429) and the net asset value to decrease by £1,370,900 (31/12/2018: £736,429).

A decrease would have had an equal but opposite effect. The analysis assumes all other variables remain constant.

## Currency sensitivity

The tables below sets out the effect, including the effects of derivatives and investments held by CISs, of a reasonably possible strengthening of the following currencies against Sterling.

Currencies	31/12/2019 %	31/12/2018 %
EUR against GBP	5	5
USD against GBP	5	5

Effect in GBP	31/12/2019 £	31/12/2018 £
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## EUR

Increase in net capital gains and increase in net asset value	915,003	137,789
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## USD

Increase in net capital gains and increase in net asset value	1,679,818	275,578
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A strengthening of Sterling against the above currencies of the same rates will have resulted in an equal but opposite effect. The analysis assumes all other variables remain constant.

## Equity market price sensitivity

An increase of 1500 basis points (15%) as at the reporting date will cause the net capital gains and the net asset value to increase by £29,257,110 (31/12/2018: £21,002,972).

A weakening in equity market prices of the same 15% will have resulted in an equal but opposite effect. The analysis assumes all other variables remain constant.

## Notes to the Financial Statements continued

## 14 Portfolio transaction costs

For the year 1 January 2019 to 31 December 2019

Purchases (excluding derivatives)	Transaction Value	Commissions		Taxes	
	£	£	%	£	%
Equity instruments (direct)	37,416,301	11,127	0.03	23,982	0.06
Debt instruments (direct)	24,664,067	—	—	—	—
Collective investment schemes	107,121,063	1,089	—	6,258	0.01
<b>Total purchases</b>	<b>169,201,431</b>	<b>12,216</b>		<b>30,240</b>	
<b>Total purchases including transaction costs</b>	<b>169,243,887</b>				

Sales (excluding derivatives)	Transaction Value	Commissions		Taxes	
	£	£	%	£	%
Equity instruments (direct)	23,932,640	7,180	0.03	1,512	0.01
Debt instruments (direct)	17,745,342	—	—	—	—
Collective investment schemes	2,229,695	669	0.03	14	—
<b>Total sales</b>	<b>43,907,677</b>	<b>7,849</b>		<b>1,526</b>	
<b>Total sales net of transaction costs</b>	<b>43,898,302</b>				

Derivative transaction costs	—	—			
<b>Total transaction costs</b>		<b>20,065</b>		<b>31,766</b>	
<b>Total transaction costs as a % of average net assets</b>		<b>0.01%</b>		<b>0.01%</b>	



## Notes to the Financial Statements continued

## 14 Portfolio transaction costs continued

For the year 1 January 2018 to 31 December 2018

Purchases (excluding derivatives)	Transaction Value	Commissions		Taxes	
	£	£	%	£	%
Equity instruments (direct)	31,484,599	9,436	0.03	27,792	0.09
Debt instruments (direct)	6,184,259	—	—	—	—
Collective investment schemes	114,652,110	464	0.00	3,665	0.00
<b>Total purchases</b>	<b>152,320,968</b>	<b>9,900</b>		<b>31,457</b>	
<b>Total purchases including transaction costs</b>	<b>152,362,325</b>				

Sales (excluding derivatives)	Transaction Value	Commissions		Taxes	
	£	£	%	£	%
Equity instruments (direct)	7,618,422	2,285	0.03	36	0.00
Debt instruments (direct)	1,236,042	—	—	—	—
Corporate actions	10,317	—	—	—	—
<b>Total sales</b>	<b>8,864,781</b>	<b>2,285</b>		<b>36</b>	
<b>Total sales net of transaction costs</b>	<b>8,862,460</b>				

<b>Derivative transaction costs</b>	—	—
<b>Total transaction costs</b>	<b>12,185</b>	<b>31,493</b>
<b>Total transaction costs as a % of average net assets</b>	<b>0.01%</b>	<b>0.02%</b>

The above analysis covers any direct transaction costs suffered by the Sub-fund during the year. However, it is important to understand the nature of other transaction costs associated with different investment asset classes and instruments types.

Separately identifiable direct transaction costs (commissions and taxes etc.) are attributable to the Sub-fund's purchase and sale of equity shares. Additionally for equity shares there is a dealing spread cost (the difference between the buying and selling prices) which will be suffered on purchase and sale transactions.

For the Sub-fund's investment transactions in debt instruments any applicable transaction charges form part of the dealing spread for these instruments. Transactions in money market instruments to manage the Sub-fund's daily liquidity position are excluded from the analysis.

For the Sub-fund's investment in collective investment scheme holdings there will potentially be dealing spread costs applicable to purchases and sales. However additionally there are indirect transaction costs suffered in those underlying Sub-fund's, throughout the holding period for the instruments, which are not separately identifiable and do not form part of the analysis above.

Dealing spread costs suffered by the Sub-fund vary considerably for the different asset/instrument types depending on a number of factors including transaction value and market sentiment.

At the balance sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.08% (31/12/2018: 0.08%).

## Notes to the Financial Statements continued

## 15 Share movement

For the year 1 January 2019 to 31 December 2019

	<b>B Class Acc Shares</b>	<b>P Class Acc Shares</b>	<b>J Class Acc Shares</b>	<b>I Class Acc Shares</b>	<b>S Class Acc Shares</b>
Opening shares	23,610,387	67,517,414	155,463,892	7,965,716	—
Shares issued	—	34,399,221	34,687,141	38,480,220	76,120,787
Shares redeemed	(14,662,757)	(8,194,538)	(12,119,922)	(3,369,666)	(768,485)
Shares Converted	—	(6,877,255)	—	7,805,833	—
<b>Closing shares</b>	<b>8,947,630</b>	<b>86,844,842</b>	<b>178,031,111</b>	<b>50,882,103</b>	<b>75,352,302</b>

## 16 Post balance sheet events

As at the end of the Reporting Period, a limited number of cases of an unknown virus had been reported to the World Health Organization. Following the subsequent spread of the virus globally, the World Health Organization declared the COVID-19 outbreak to be a pandemic on 11 March 2020. The identification of the virus after the end of the Reporting Period as a new coronavirus, and its subsequent global outbreak, is considered a non-adjusting subsequent event. At present, it is not possible to assess the detailed impact, of this emerging risk, on the companies in our portfolio but there is growing concern about the impact on the world economy and as a result of this uncertainty, the values reflected in these financial statements may materially differ from the value received upon actual sales of those investments. In the light of significant corrections and heightened volatility in the financial markets over the past few weeks, the impact for the Company might be important in terms of future valuations of its assets, nevertheless the Company continues to observe the efforts of governments to contain the spread of the virus in order to monitor and manage the economic impact on the companies in the portfolio and on the Company itself. In addition, there is no indication that the going concern assumption of the Company is inappropriate.

The ACD is of the opinion that, other than that mentioned in the Annual Report, no other events took place between the end of the Reporting Period and the date of approval of these financial statements that would require disclosure in or adjustments to the amounts recognized in these financial statements.

Following the COVID-19 (Coronavirus) outbreak there has been an on-going period of high volatility in Global Financial markets. As a result, we have witnessed significant movements in the net asset value of the Sub-Fund since the balance sheet date. During the period from the balance sheet date to 17 April 2020, the net asset value of the Sub-fund decreased by 5.64%.

The table below shows the net asset values per share as at the balance sheet date, compared against the values as at 17 April 2020 and the price movement in that period:

	<b>Net asset value per share at 31/12/19 (p)</b>	<b>Net asset value per share at 17/4/2020 (p)</b>	<b>Movement in period %</b>
B Class Accumulation Shares	137.80	122.80	(10.89)
P Class Accumulation Shares	128.20	114.30	(10.84)
J Class Accumulation Shares	117.40	105.30	(10.31)
I Class Accumulation Shares	113.40	101.60	(10.41)
S Class Accumulation Shares	100.90	90.46	(10.35)

## Notes to the Financial Statements continued

**17 Reconciliation of change in net assets attributable to shareholders from investment activities to net cash from operating activities**

	01/01/2019 to 31/12/2019 £	01/01/2018 to 31/12/2018 £
Change in net assets attributable to shareholders from investment activities	48,506,858	6,216,009
<b>Adjustments for:</b>		
Interest paid	31,744	2,582
Capital gains on non-derivative securities*	(41,620,657)	(14,078,948)
Unrealised net capital (gains)/losses on forward currency contracts	(4,038,818)	704,893
(Increase)/decrease in debtors	(692,461)	145,338
(Decrease)/increase in creditors	(31,375)	1,856,245
<b>Net cash flow from operating activities</b>	<b>2,155,291</b>	<b>(5,153,881)</b>

\*Realised gains on non-derivative securities included in cash flows from financing activities on the cash flow statement.

**18 Analysis of change in cash**

	01/01/2019 to 31/12/2019 £	01/01/2018 to 31/12/2018 £
Cash and bank balances at the start of the year	22,524,796	11,399,442
Net cash flows	24,387,785	11,125,354
<b>Cash and bank balances at the end of the year</b>	<b>46,912,581</b>	<b>22,524,796</b>

**Distribution Tables****Final distribution in pence per share****Period**

Group 1: Shares purchased prior to 1 July 2019

Group 2: Shares purchased on or after 1 July 2019 to 31 December 2019

<b>B Class Accumulation Shares</b>	<b>Revenue</b>	<b>Equalisation<sup>+</sup></b>	<b>Income Accumulation 30/04/2020</b>	<b>Income Accumulation 30/04/2019</b>
TEF distribution (dividend)				
Group 1	—	—	—	—
Group 2	—	—	—	—
TEF distribution (non-dividend)				
Group 1	—	—	—	—
Group 2	—	—	—	—

<b>P Class Accumulation Shares</b>	<b>Revenue</b>	<b>Equalisation<sup>+</sup></b>	<b>Income Accumulation 30/04/2020</b>	<b>Income Accumulation 30/04/2019</b>
TEF distribution (dividend)				
Group 1	—	—	—	—
Group 2	—	—	—	—
TEF distribution (non-dividend)				
Group 1	—	—	—	—
Group 2	—	—	—	—

<b>J Class Accumulation Shares</b>	<b>Revenue</b>	<b>Equalisation<sup>+</sup></b>	<b>Income Accumulation 30/04/2020</b>	<b>Income Accumulation 30/04/2019</b>
TEF distribution (dividend)				
Group 1	—	—	—	—
Group 2	—	—	—	—
TEF distribution (non-dividend)				
Group 1	—	—	—	—
Group 2	—	—	—	—

<b>I Class Accumulation Shares</b>	<b>Revenue</b>	<b>Equalisation<sup>+</sup></b>	<b>Income Accumulation 30/04/2020</b>	<b>Income Accumulation 30/04/2019</b>
TEF distribution (dividend)				
Group 1	—	—	—	—
Group 2	—	—	—	—
TEF distribution (non-dividend)				
Group 1	—	—	—	—
Group 2	—	—	—	—

<sup>+</sup>Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the actual amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

## Distribution Tables continued

## Final distribution in pence per share continued

## Period

Group 1: Shares purchased prior to 1 July 2019

Group 2: Shares purchased on or after 1 July 2019 to 31 December 2019

S Class Accumulation Shares	Revenue	Equalisation <sup>+</sup>	Income Accumulation 30/04/2020	Income Accumulation 30/04/2019
TEF distribution (dividend)				
Group 1		—	—	—
Group 2		—	—	—
TEF distribution (non-dividend)				
Group 1		—	—	—
Group 2		—	—	—

S Class Accumulation Shares launched on 28 November 2019.

## Interim distribution in pence per share

## Period

Group 1: Shares purchased prior to 1 January 2019

Group 2: Shares purchased on or after 1 January 2019 to 30 June 2019

B Class Accumulation Shares	Revenue	Equalisation <sup>+</sup>	Income Accumulation 31/08/2019	Income Accumulation 31/08/2018
TEF distribution (dividend)				
Group 1	—	—	—	—
Group 2	—	—	—	—
TEF distribution (non-dividend)				
Group 1	—	—	—	—
Group 2	—	—	—	—

P Class Accumulation Shares	Revenue	Equalisation <sup>+</sup>	Income Accumulation 31/08/2019	Income Accumulation 31/08/2018
TEF distribution (dividend)				
Group 1	—	—	—	—
Group 2	—	—	—	—
TEF distribution (non-dividend)				
Group 1	—	—	—	—
Group 2	—	—	—	—

<sup>+</sup>Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the actual amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

## Distribution Tables continued

## Interim distribution in pence per share continued

## Period

Group 1: Shares purchased prior to 1 January 2019

Group 2: Shares purchased on or after 1 January 2019 to 30 June 2019

<b>J Class Accumulation Shares</b>	<b>Revenue</b>	<b>Equalisation<sup>+</sup></b>	<b>Income Accumulation 31/08/2019</b>	<b>Income Accumulation 31/08/2018</b>
TEF distribution (dividend)				
Group 1	—	—	—	—
Group 2	—	—	—	—
TEF distribution (non-dividend)				
Group 1	—	—	—	—
Group 2	—	—	—	—

<b>I Class Accumulation Shares</b>	<b>Revenue</b>	<b>Equalisation<sup>+</sup></b>	<b>Income Accumulation 31/08/2019</b>	<b>Income Accumulation 31/08/2018</b>
TEF distribution (dividend)				
Group 1	—	—	—	—
Group 2	—	—	—	—
TEF distribution (non-dividend)				
Group 1	—	—	—	—
Group 2	—	—	—	—

<sup>+</sup>Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the actual amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

## Remuneration (Unaudited)

### Staff remuneration

During the year 1 January to 31 December 2019, Partners Group (UK) Ltd's 190 staff (incl. leavers during the year) received a total of £22,031,644.14 in remuneration. The ratio between fixed and variable remuneration is approximately 1:1.37.

The aggregate amount of remuneration of the 10 staff (including three directors) who make up the senior management of Partners Group (UK) Ltd was £4,512,827.70.

The aggregate amount of remuneration of the 21 staff (including three directors) whose actions have a material impact on the risk profile of the Program was £10,217,243.27

N.B. The figures in respect of staff disclosed as above include a number of the same staff and therefore, these figures should not be read as cumulative. Further to those figures disclosed for Partners Group (UK) Ltd, they include certain staff employed by Partners Group AG where Partners Group (UK) Ltd delegates its risk management. For the figures disclosed for Partners Group (Luxembourg) S.A., the annual variable remuneration payments were due in February and therefore not included in the relevant reporting period.

Variable remuneration is determined by reference to individual and departmental performance and, in all cases, is subject to group-wide performance. Individual performance is primarily determined through an annual appraisal process which involves setting qualitative and quantitative individual and departmental goals. Performance is periodically assessed against the plan and is the basis for measuring the individual performance.

Partners Group does not link variable remuneration to a mechanical measure of performance and the successful achievement of quantitative goals can be overridden by qualitative measures of performance.

Finally, Partners Group's Nomination and Compensation Committee are responsible for approving the group-wide remuneration practices.

**Other information****Material changes**

No material changes to be reported.

**Pricing basis**

The Company deals on a forward pricing basis. A forward price is the price calculated at the next Valuation Point after the sale or redemption is agreed.

**Subscriptions, Redemptions and Switches of Shares in the Company**

The dealing office of the Registrar is open from 9.00 a.m. until 5.00 p.m GMT on each Dealing Day to receive requests for the subscription, redemption and switching of Shares, which will be effected at prices determined at the next Valuation Point following acceptance of such request. Valid instructions for subscriptions, redemptions and/or switches will be processed by the Registrar.

There is an initial offer period of one day from launch of a Sub-fund and the initial offer period will end after this time. The initial price of a Share is £1.00 (Shares will not be redeemed or issued in any other currency). Please note that if in the reasonable opinion of the ACD, the operation of the Company is not viable at the end of the initial offer period, the ACD may, subject to compliance with the Sourcebook and subject to the agreement of the Depositary, wind up the Company or consider any other alternative as may be appropriate in the circumstances.

**Publication of Prices**

Shareholders can obtain the price of their Shares from the Registrar or on the following webpage: [www.pgenerationsfund.com](http://www.pgenerationsfund.com).



**Statement of the Depository's Responsibilities in Respect of the Scheme and Report of the Depository to the Shareholders of the Partners Group Generations Fund ("the Company") for the year ended 31 December 2019**

The Depository must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, and, from 22 July 2014 the Investment Funds Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Company's Instrument of Incorporation and Prospectus (together "the Scheme documents") as detailed below.

The Depository must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depository is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depository must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Alternative Investment Fund Manager ("the AIFM") are carried out (unless they conflict with the Regulations).

The Depository also has a duty to take reasonable care to ensure that Company is managed in accordance with the Scheme documents and the Regulations in relation to the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depository of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the AIFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company in accordance with the Regulations and Scheme documents of the Company.

For and on behalf of  
The Bank of New York Mellon (International) Limited  
One Canada Square  
London E14 5AL

Manager

29 April 2020

**Report on the audit of the financial statements****Opinion**

In our opinion, the financial statements of Partners Group Generations Fund (the "Company"):

- give a true and fair view of the financial position of the Company and its sub-fund as at 31 December 2019 and of the expenses and the net capital gains on the scheme property of the Company and its sub-fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Partners Group Generations Fund is an Open Ended Investment Company ('OEIC') with a single sub-fund. The financial statements of the company comprise the financial statements of its sub-fund. We have audited the financial statements, included within the Annual Report & Financial Statement (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2019; the Statement of total return, the Statement of change in net assets attributable to shareholders and the Cash flow statement for the year 1 January 2019 to 31 December 2019; the Distribution tables; and the notes to the financial statements, which include a description of the significant accounting policies.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Authorised Corporate Director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Authorised Corporate Director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's or its sub-fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's or the sub-fund's ability to continue as a going concern.

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Authorised Corporate Director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

### **Authorised Corporate Director's Report**

In our opinion, the information given in the Authorised Corporate Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Responsibilities for the financial statements and the audit**

#### **Responsibilities of the Authorised Corporate Director for the financial statements**

As explained more fully in the Statement of Authorised Corporate Director's Responsibilities in relation to the Financial Statements of the Company set out on page 3, the Authorised Corporate Director is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Authorised Corporate Director is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authorised Corporate Director is responsible for assessing the company's and its sub-fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Authorised Corporate Director either intends to wind up or terminate the company or its sub-fund, or has no realistic alternative but to do so.

#### **Auditors' responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### **Use of this report**

This report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**Other required reporting**

**Opinion on matter required by the Collective Investment Schemes sourcebook**

In our opinion, we have obtained all the information and explanations we consider necessary for the purposes of the audit.

**Collective Investment Schemes sourcebook exception reporting**

Under the Collective Investment Schemes sourcebook we are also required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.



**PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors  
London

30 April 2020

- General Partner/AIFM: Partners Group (UK) Limited
- Fund(s) in Question: Partners Group Generations Fund
- Sub Funds: Partners Group Generations Fund
- Share Classes: P, I, J, B, S
- Fund Currency: GBP
- Authorised Corporate Director: Partners Group (UK) Limited
  
- Investment Adviser: Partners Group AG
- Depositary: The Bank of New York Mellon (International)
- Administrator: The Bank of New York Mellon (International)
- Registrar: The Bank of New York Mellon (International)
- Auditor: PricewaterhouseCoopers
- Legal Adviser: Macfarlanes LLP
- Platforms Used: Fidelity, Legal and General, Phoenix, Mobius
- Intermediaries Used: No intermediaries used for distribution

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## 1. Quality of Service

The following provides detail on the quality of services relating directly to the operation of the Fund, specifying delegated entities where applicable as well as Partners Group's assessment of service quality.

### Investment Management

This service is delegated to Partners Group (UK) Limited, an internal entity of Partners Group and subject to Partners Group's over-arching processes, policies and procedures.

### Administration and Custody

These services are delegated to The Bank of New York Mellon (International). These are significant services to investors' overall experience and therefore the quality of the service provided is monitored regularly by Partners Group through both monthly service review calls with Partners Group and The Bank of New York Mellon (International) as well as quarterly service quality confirmations by internal Partners Group stakeholders.

For the calendar year 2019, service was as expected, and no material issues were reported.

### Audit

This service is provided by PricewaterhouseCoopers LLP. This is a significant service to investors and therefore the service quality is monitored by Partners Group through an annual service quality confirmation performed by Partners Group stakeholders.

For the calendar year 2019, service was as expected, and no material issues were reported.

### Legal

Legal services are provided both internally by Partners Group as well as externally by Macfarlanes LLP. This is a significant service to investors and therefore the service quality is monitored by Partners Group through an annual service quality confirmation performed by Partners Group stakeholders.

For the calendar year 2019, service was as expected, and no material issues were reported.

### Client communications, website and customer complaints

Certain reporting functions and the Fund's website are provided internally by Partners Group. Certain ancillary functions are also provided by The Bank of New York Mellon (International) in their role as administrator.

With regards to customer complaints, for services provided either by Partners Group or The Bank of New York Mellon (International), the policy is to reply to complaints within 24 hours.

For the calendar year 2019, service was as expected, and no material issues were reported, nor were any significant customer complaints received

## 2. Performance

### Objectives

The Fund's objective is to provide long-term capital growth. The Fund provides investors the opportunity to invest in private market asset classes through a more liquid vehicle than traditional funds investing in private equity, private real estate, private infrastructure or private debt.

### Appropriate timescale

Given the underlying asset classes and the typical investor profile, it is suggested a performance analysis over a medium-to-long-term timeframe of 5 years or longer is adopted.

### Setting target performance

The Fund aims to deliver stable returns and achieve long-term capital growth over market cycles. The Fund targets absolute returns of 7-11% p.a. net of all fees, once fully built-up, and over a complete market cycle (5 years or more).

### Selecting a peer group

The Fund is currently one of the only private markets funds that cater to DC investors and therefore it is our belief that there is not presently an appropriate peer group. However, without being a target benchmark or a constraining benchmark, the scheme's performance is compared against that of the MSCI World Equity Total Return GBP index (Bloomberg ticker: MXWOHGBP Index) and the HFRX Global Hedge Fund GBP index (Bloomberg ticker: HFRXGLG Index). The MSCI World Equity index was selected as a global equity comparison, given that Fund invests globally, with public and private equity being the main instrument in the asset allocation. The HFRX Global Hedge Fund index was selected due to the illiquid nature of some of the strategies used by hedge funds.

### Considerations given the Fund is relatively new

The Fund was launched on 29 April 2016. We would note that it may be too early to assess the performance of the Fund for two reasons:

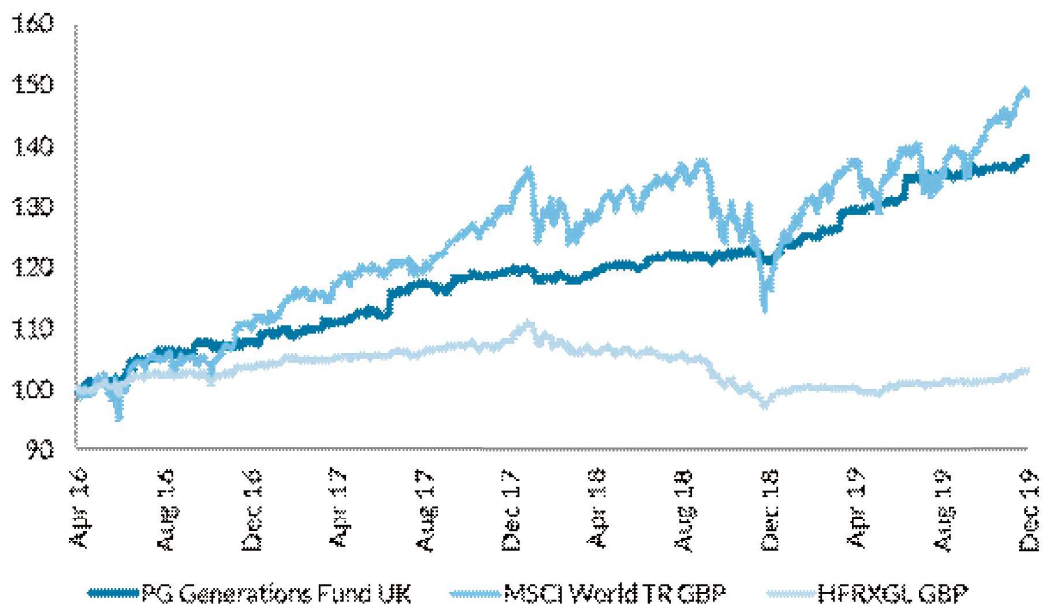
- The age of the Fund is less than the proposed 5-year minimum holding period. The evaluation might be biased and might not reflect a full market cycle.
- The private markets allocation of the Fund has been in its build-up phase during most of the last ~3.5 years. A higher than average number of the Fund's investments have value creation initiatives which are still in their early stages, or which have not yet commenced.

### Performance calculation and presentation:

Provided below is the performance analysis since the inception of the Fund in April 2016. The Fund's performance is calculated using the price of its longest standing share class since inception (share class B).

The performance is calculated on a daily basis, by dividing the daily closing price by the previous day closing price. The reported share class price is net of all fees and costs, and therefore the calculated performance figure will also be net of all fees. In the chart and table below, we show the performance of the Fund against the MSCI World Equity GBP Index and the HFRX Global Hedge Fund GBP index.

## 2. Performance (continued)



	PG Generations	MSCI World TR GBP	HFRXGL GBP
Net Return (since inception)	37.8%	48.5%	2.8%
Net Return p.a.	9.1	11.4%	0.8%
YTD	13.7%	25.5%	4.8%
Volatility p.a.	4.3%	10.3%	3.0%
Max draw down	-2.2%	-17.8%	-12.4%
Equity correlation	0.21	1.00	0.76%
Betato equity	0.09	1.00	0.22%

Source: Partners Group, Bloomberg as of 31 December 2019. Performance shown net of all fees in GBP. Past performance is not indicative of future results. There is no assurance that target returns will be achieved

It may be too early to accurately assess the performance of the Fund thoroughly, however the performance has been within the defined target return range, especially given that the Fund was in its build-up period since inception. From a risk adjusted return point of view, the Fund can be considered an attractive offering, given the low measured volatility and maximum drawdown, and the diversification benefits arising from the low equity correlation.



### 3. AFM Costs

The following table illustrates the charges and costs incurred by the Fund across each share class. This includes annual management charges, performance fees (where applicable) as well as other administrative costs and charges. Importantly, the fee cap for each share class (as described in further detail in the "classes of units" section) is highlighted below as the pertinent figure that total fee levels do not surpass

	Calculation	Share Class P	Share Class I	Share Class J	Share class S**	Share Class B
Direct costs	Annual management charge	1.25%	1.84%	Commercially sensitive	Commercially sensitive	1.25%
	Equalization rebates	-0.21%	-0.19%	-0.21%	-0.16%	-0.22%
	Custody/ depositary	0.04%	0.04%	0.04%	0.03%	0.04%
	Fund administration	0.03%	0.03%	0.03%	0.03%	0.03%
	Audit	0.02%	0.02%	0.02%	0.01%	0.02%
	Entry/ exit fees	0.00%	0.00%	0.00%	0.00%	0.00%
	Legal and Tax	0.01%	0.01%	0.01%	0.01%	0.01%
	Registration fee	0.03%	0.03%	0.03%	0.02%	0.03%
	Set up cost	0.01%	0.01%	0.01%	0.00%	0.01%
	Other expenses	0.01%	0.01%	0.01%	0.00%	0.01%
	Synthetic component*	0.55%	0.55%	0.55%	0.56%	0.55%
	Performance fee	0.60%	0.00%	0.00%	0.00%	0.60%
	Fee Cap for each share-class	2.25%	1.95%	1.95%	1.95%	2.25%
Fees waived due to Fee Cap	-0.09%	-0.39%	Commercially sensitive	Commercially sensitive	-0.08%	
Indirect Costs	Security lending	—	—	—	—	—
	Execution	0.01%	0.01%	0.01%	0.01%	0.01%
	Slippage	0.01%	0.01%	0.01%	0.01%	0.01%
	Anti-dilution	—	—	—	—	—
	Foreign Exchange	0.00%	0.00%	0.00%	0.00%	0.00%

\* total of all operational expenses incurred on the underlying funds' level (look-through basis)

\*\* Share class S was launched in November 2019

### **3. AFM Costs (continued)**

The level of management fee charged is higher than other funds in the market such as passive equity or corporate bond strategies owing to the greater labour intensity in private market investments. Private market investments typically have a direct, control position of a company or asset, and therefore require greater hands-on value creation strategies.

Private market strategies, owing to the active value creation and longer-term holding periods give the potential for greater outperformance and therefore justify the higher management fee level versus a passive listed strategy where the labour intensity is much lower, and there is no active value creation owing to merely following a benchmark allocation.

Furthermore, closed-ended private market strategies typically have a management fee of 1.5% p.a., with a performance fee structure that in strong-performing times would result in high levels of performance fees resulting in TERs upwards of 3%, 4%, or sometimes even 5%+ p.a. By comparison, the Fund provides access to private market investments in what we believe to be a compelling value for money proposition

### **4. Economies of Scale**

The Fund is GBP 466 million in size as of 31 December 2019 and is expected to grow substantially over the coming years.

Given the Fund's present size, it is our belief that there are no significant economies of scale to be taken advantage of.

There may be scope for these charges to reduce when the Fund is substantially larger. Partners Group will continue to review service providers and any potential cost savings from such economies of scale in the years to come.

As additional consideration is that owing to the charge cap in place at the share class level, Partners Group is presently forfeiting management fees owing to other aspects such as administration and audit charges. Any future economies of scale or reductions in expenses may not strictly lead to fee reductions as there is a fee cap in place for all share classes which limits the total level of fees charged.

### **5. Comparable Market Rates**

The Fund is currently one of the only private markets Funds open to DC investors and therefore we believe does not presently have an appropriate peer group to be used for market rate comparisons.

### **6. Comparable Services**

Partners Group (UK) Limited only manages the Fund and therefore there are no other funds or programs with similar investor objectives that can be used for comparison purposes.

## 7. Classes of Units

As of 31 December 2019, there were five share classes for the Fund: P, I, J, S and B. Two share classes have a performance fee structure (P and B) and the remaining three share classes have no performance fee structure (I, J and S), only a flat management fee structure. The fees are detailed below, along with the corresponding TER cap at the share class level. Please refer to the Fund's prospectus for further details.

Performance fee bearing share classes management fee

- P share class: 1.25% p.a.
- B share class: 1.25% p.a.

### Flat fee share classes management fee

- I share class: 1.85% p.a.
- J share class: 1.85% p.a.
- S share class: 1.85% p.a.

### Performance fees:

- P share class: 10% subject to a high water mark
- B share class: 10% subject to a high water mark
- I share class: nil
- J share class: nil
- S share class: nil

### Corresponding TER cap per share class:

- P Class Shares: 2.25% p.a. of the Sub-fund's Net Asset Value attributable to the P Class Shares
- B Class Shares: 2.25% p.a. of the Sub-fund's Net Asset Value attributable to the B Class Shares
- I Class Shares: 1.95% p.a. of the Sub-fund's Net Asset Value attributable to the I Class Shares
- J Class Shares: 1.95% p.a. of the Sub-fund's Net Asset Value attributable to the J Class Shares
- S Class Shares: 1.95% p.a. of the Sub-fund's Net Asset Value attributable to the S Class Shares

It is the investor's choice which share class structure they choose (i.e. performance fee bearing or flat management fee).

The B share class is utilised by Partners Group for its balance sheet investments. The J share class is utilised by a large anchor investor and further details on this share class are commercially sensitive. The S share class is reserved for significant large investors, who invest into the fund with typically more than GBP 75 million. The current open (investable) share classes for investors are the P, I and S share classes.

## **8. Conclusion**

In conclusion, we are of the firm belief that the Fund offers investors significant value for money. The Fund was one of the first to provide DC investors with access to private market investments and the associated benefits such as greater potential for higher returns.

Private market investments and the funds in which these can be accessed do have higher fees, however this is to reflect the greater labour intensity and hand-on value creation strategies that are integral to managing such private market companies and assets.

The Fund is a bespoke product that requires sophisticated investment management. We believe the Fund provides a compelling value for money proposition from both the perspective of the investments it provides access to, as well as the fee level charged. Importantly, as the Fund employs a total fee cap, investors have visibility over potential total fees that can be charged.