INVESTCORP

Business Review

Fiscal Year 2020
For the period July 1, 2019 to December 31, 2019

“Our solid results reinforce our confidence in Investcorp’s organic and inorganic growth strategy. The increase in AUM during the period was largely attributable to organic initiatives, demonstrating strong global demand for our offerings with investors seeking increased exposure to alternative assets. We remain steadfast in our vision to provide our clients with the best investment solutions and products for their needs across the world, and constantly innovating to deliver new offerings.

The successful globalization and institutionalization of our distribution platform is enhancing the resiliency of our business. We enter the second half of our fiscal year facing increasing geopolitical and macro-economic headwinds with a stronger and more diversified business, supported by a robust balance sheet and world-class talent. Our ambitious growth strategy to reach $50 billion in AUM over the medium term is increasingly within reach. Looking ahead, we remain confident in our ability to build upon our long track record of growth and value creation over time.”

Mohammed Alardhi

Figures throughout may not add up due to rounding

Business Highlights

Growth initiatives

A number of strategic initiatives have been completed and several are well underway to realize Investcorp's medium-term objective of reaching $50 billion assets under management, including:

Inorganic growth:

Completed the acquisition of a majority interest in CM Investment Partners, an investment advisor focused on middle market lending in the United States

Completed the acquisition of Mercury Capital Advisors, one of the world's leading institutional capital raising and investment advisory enterprises

Fundraising platform:

Signed an $866 million structured secondary transaction with HarbourVest to provide liquidity for Investcorp's existing MENA private equity investment portfolio with up to an additional $70 million of new capital for follow-ons and up to a further $60 million for new investments (subject to the receipt of requisite investor elections, and relevant regulatory approvals and other customary closing conditions)

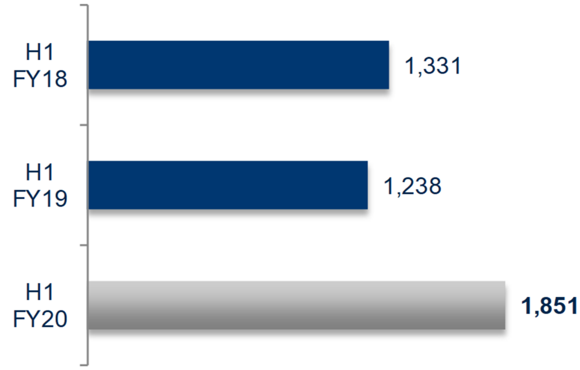
Investment platform:

Announced a new milestone in the existing partnership with China Everbright Limited by combining their investment teams investing in the Chinese technology sector. The combined team and investment committee, will jointly manage the China Everbright New Economy Fund I

Announced $130 million Indian real estate direct lending initiative

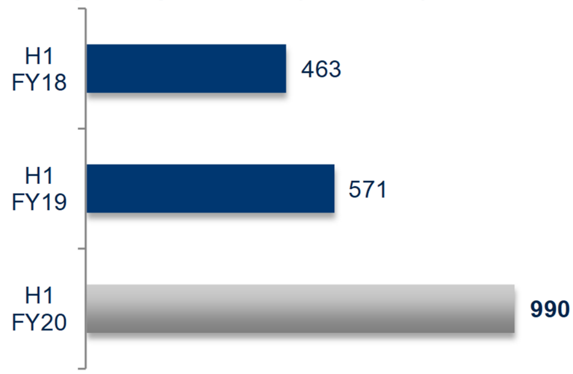
Launched $500 million investment platform jointly with China Resources and Fung Investments, the first-ever private equity platform dedicated solely to investing in food brands in Asia, specifically China, Singapore and greater Southeast Asia

Investment Activity ($ millions)



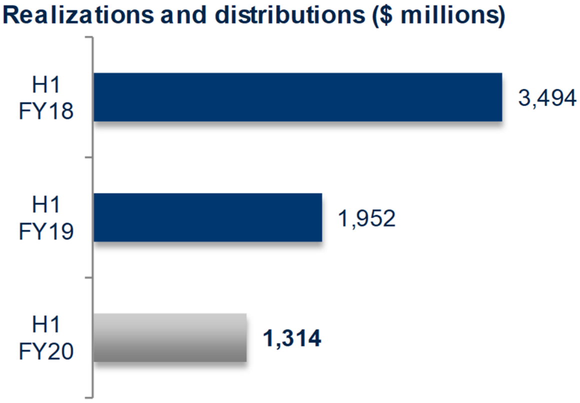
Strong levels of activity with $1.9 billion of aggregate investment across Investcorp's businesses, a 50% year-on-year increase

Deal-by-deal placement ($ millions)



Deal-by-deal fundraising activity has increased 73% compared to the same period last year. New offerings included the placement of Vivaticket, Acura and NephroPlus, two US real estate portfolios, and one European real estate portfolio

Realizations and distributions ($ millions)



Distributions to Investcorp and its clients from investment realizations and other distributions decreased to $1.3 billion due to a decline in PE exit activity

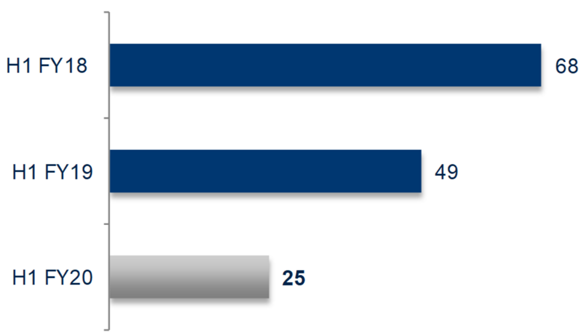
Profit for the year ($ millions)

The decrease in profit for the year is largely attributable to fair value declines of private equity investments in the US retail sector and to a further write down of a legacy asset

Fee income ($ millions)

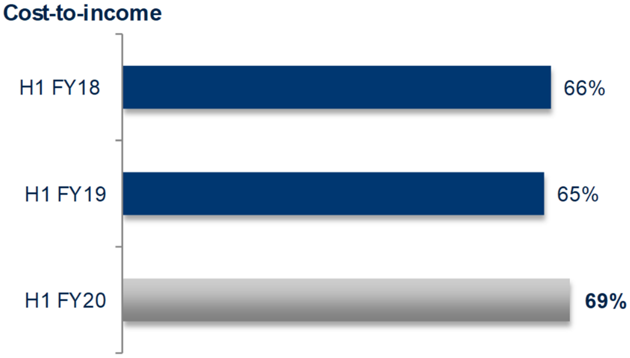
Fee income is up 15% versus fee income for the prior year, driven by increases in both AUM fees and deal fees

Asset-based income ($ millions)



The decrease in asset-based income is largely attributable to lower PE returns

Cost-to-income



Operating expenses increasing in line with growth in fee income. Cost-to-income ratio negatively impacted by reduced asset-based income in H1 FY20

H1 FY20 Key Business Highlights

Shareholder KPIs

$0.65	**Fully diluted EPS**
9%	**Return on equity (annualised)**
$13.68	**Book value per share**

Balance sheet KPIs

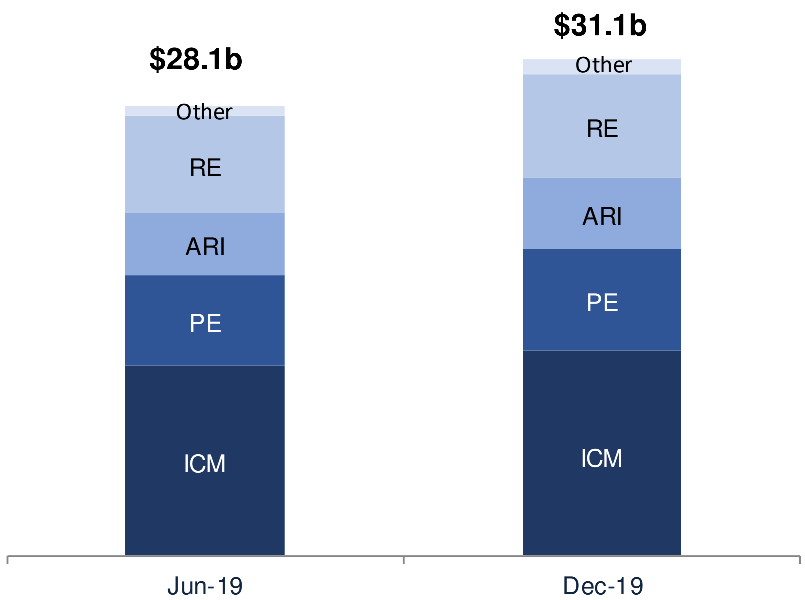
Jun-19	Dec-19	
$2.4b	**$2.7b**	**Total assets** higher due to temporary increases in working capital and the adoption of IFRS 16
$1.1b	**$1.1b**	**Total equity** stable
$1.1b	**$0.8b**	**Accessible liquidity** more than covers next four years of debt
0.4x	**0.6x**	**Net leverage** remains well below 1.0x
0.5x	**0.6x**	**Co-investments** / **permanent & long-term capital** well below 1.0x

Fundraising ($ millions)

$571	Private equity	***$571 million** raised from clients in private equity investments including new commitments into institutional investor programs*
$484	Real estate	***$484 million** raised from clients across three new portfolios, three portfolios carried over from the previous year and one new Indian real estate fund*
$512	Absolute return investments	***$512 million** of new subscriptions for ARI*
$967	Credit management	***$818 million** raised for two new CLOs* ***$121 million** of new subscriptions into ICM Global Floating Rate Income Fund* ***$28 million** raised from clients for the European risk retention fund for CLO's*
$24	Strategic capital	***$24 million** of new commitments raised for Investcorp Strategic Capital Partners Fund*
$26	Banque Pâris Bertrand	***$26 million** raised for Banque Pâris Bertrand private banking products*

*Total fundraising was **$2.6 billion** (H1 FY19: $2.3 billion)*

Total AUM ($ billions)



Private equity AUM has increased 11% to $6.4 billion, largely due to strong fundraising for the Firm's deal-by-deal investment offerings and securing new commitments into institutional investor programs

Real estate AUM has increased by 6% to $6.5 billion largely due to strong investment and fundraising activity

ARI AUM has increased by 17% to $4.5 billion, primarily due to strong fundraising for the Firm's hedge fund partnership platform particularly for Nut Tree Capital Management and for Italian NPL Opportunities Fund II which forms part of the Firm's special opportunities portfolios platform

Credit management AUM increased by 8% to $12.8 billion primarily due to the issuance of two new CLO's and the recognition of $0.3 billion of AUM with the acquisition of CM Investment Partners

Investment Activity

contentserv
FUTURIZE EXPERIENCES

VIVATICKET

Bewakoof®

nephroplus
dialysis made easy

Intergrow

$416 million…

*…the aggregate capital deployed in **six new private equity investments** (one to be announced in H2 FY20), seven existing portfolio companies & one strategic investment in a third-party technology-focused fund in the US*

$583 million…

…the aggregate capital deployed in real estate business

Jamestown CLO XIV
(Warehoused from FY19)
$357 million

Harvest CLO XXII
(Warehoused from FY19)
€220 million

Harvest CLO XXIII
(Warehoused from FY19)
€178 million

$790 million…

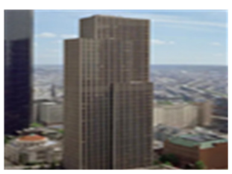
… the aggregate investment in three carried forward CLO's for the credit management business

Exits & Distributions

*Private equity exits included the sale of **SecureLink Group**, one of the largest dedicated cybersecurity infrastructure and managed services providers in Europe, and the signing of an agreement to sell **TPx Communications**, a provider of network and communications services headquartered in Los Angeles*

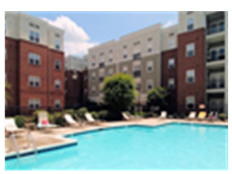
*Significant real estate exits included the realizations of five portfolios: **Diversified VII Portfolio** (with the sale of Cheshire); the sale of **901 Fifth Avenue** (single asset portfolio); **2015 Residential II Portfolio** (with the sale of Bel Air Las Colinas); **2015 Office and Industrial Portfolio** (with the sale of Tower Plaza) and **Boston & Denver Commercial Portfolio** (with the sale of Arapahoe & Inverness)*

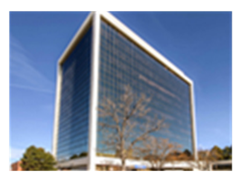
Total realization proceeds and other distributions to Investcorp and its clients were $1.3 billion, including $439 million related to the credit management business.

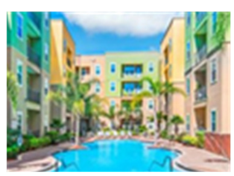













Investcorp's key performance indicators:

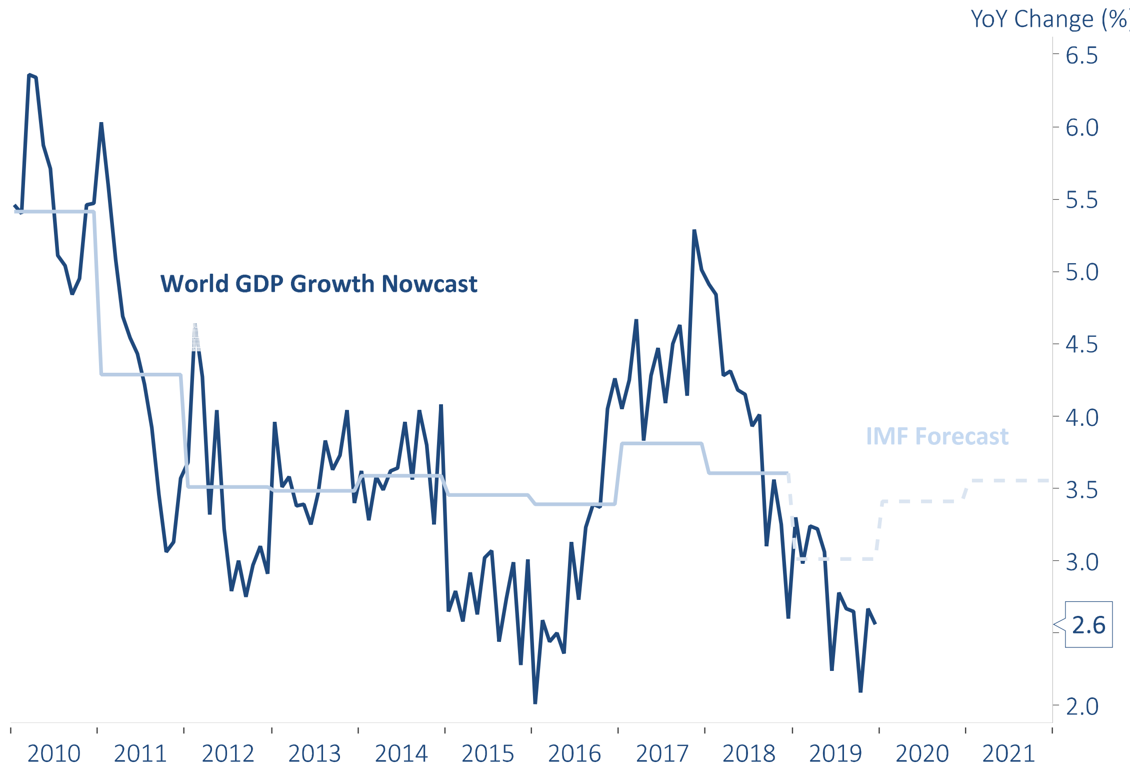
	H1 FY16	H1 FY17	H1 FY18	H1 FY19	H1 FY20
Gross operating income ($m)	178	168	208	199	186
Cost-to-income ratio	63%	64%	66%	65%	69%
Return on average assets *	5%	4%	4%	5%	4%
Return on ordinary shareholders' equity *	12%	9%	9%	11%	9%

* Annualized return

Business Environment

Nowcast models – which provide a real-time read on economic activity derived from standard econometric models incorporating a range of macroeconomic data – indicate that the global economy was expanding at a 2.6% pace in December, as shown below, potentially signaling a rebound in growth. Accommodative monetary policies in the US and elsewhere, loose financial conditions, and a dialing-down of trade policy uncertainty have all helped shift momentum toward a neutral pace—that is, where activity is no longer decelerating but not (yet) reaccelerating. That said, global growth remains uncomfortably close to its recessionary threshold, generally defined as less than 2.5%.

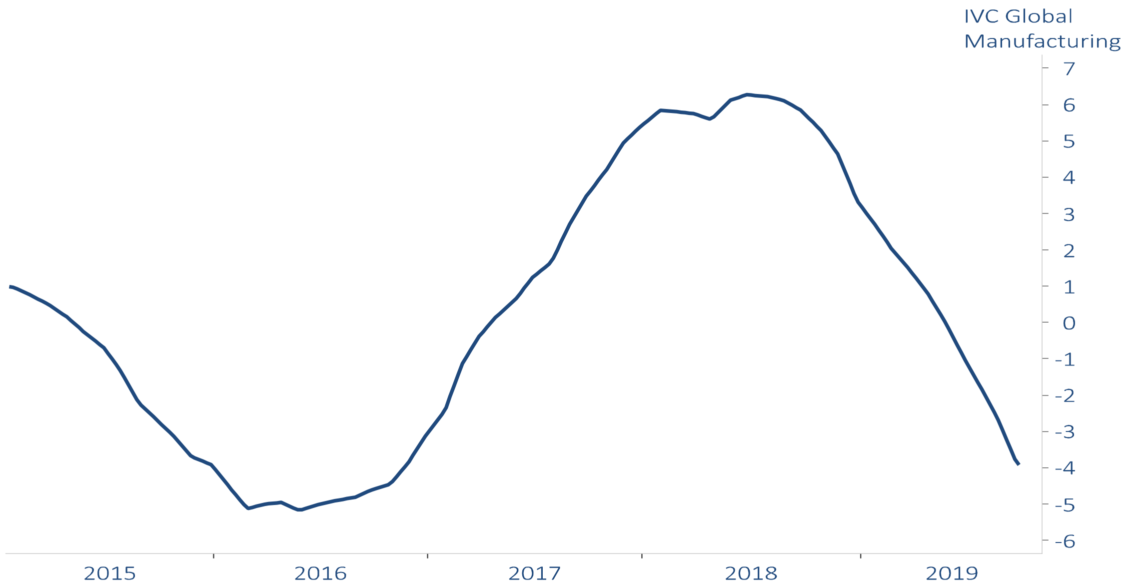
Global GDP Aggregate Nowcast



Source: Investcorp, Goldman Sachs, Morgan Stanley & Macrobond

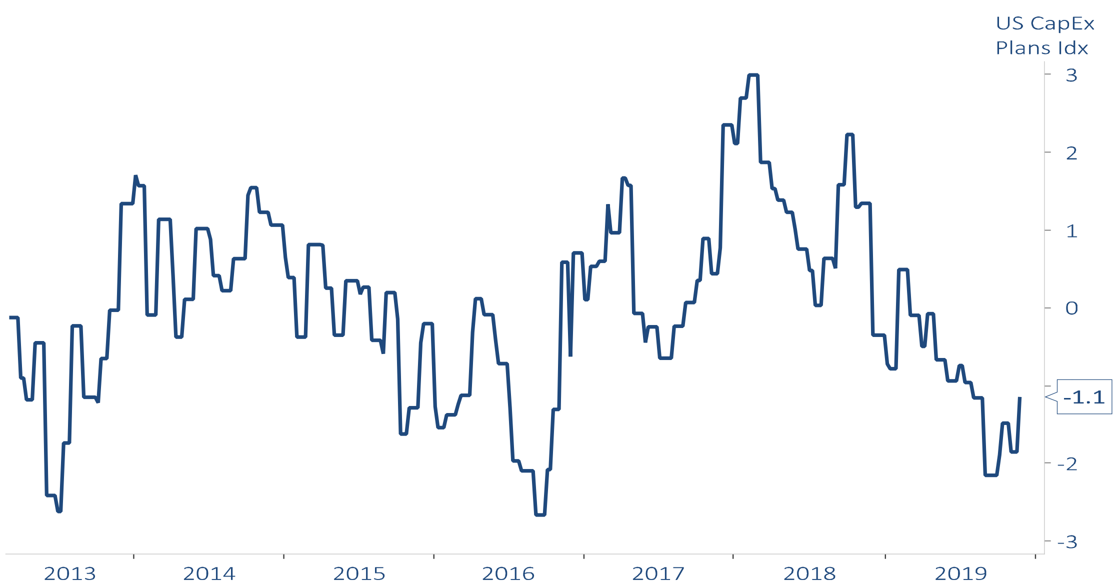
Conditions in the manufacturing sector have, as suggested by the first chart below, been dismal, undermined by the trade and other policy concerns, with few signs of a reversal so far. While one can only hope that a prospective warming of relations between the US and China will help turn things around, it is unclear whether the limited scope of the proposed trade accord will be enough to convince corporate boards to consider moving forward with large-scale investment programs. Up until this point, companies have been focusing on financial arbitrage through increased leverage and share buybacks, resulting in a weak appetite for capital expenditure during the current cycle, as the second chart shows.

Investcorp Global Manufacturing Confidence Indicator



Source: Investcorp, Macrobond

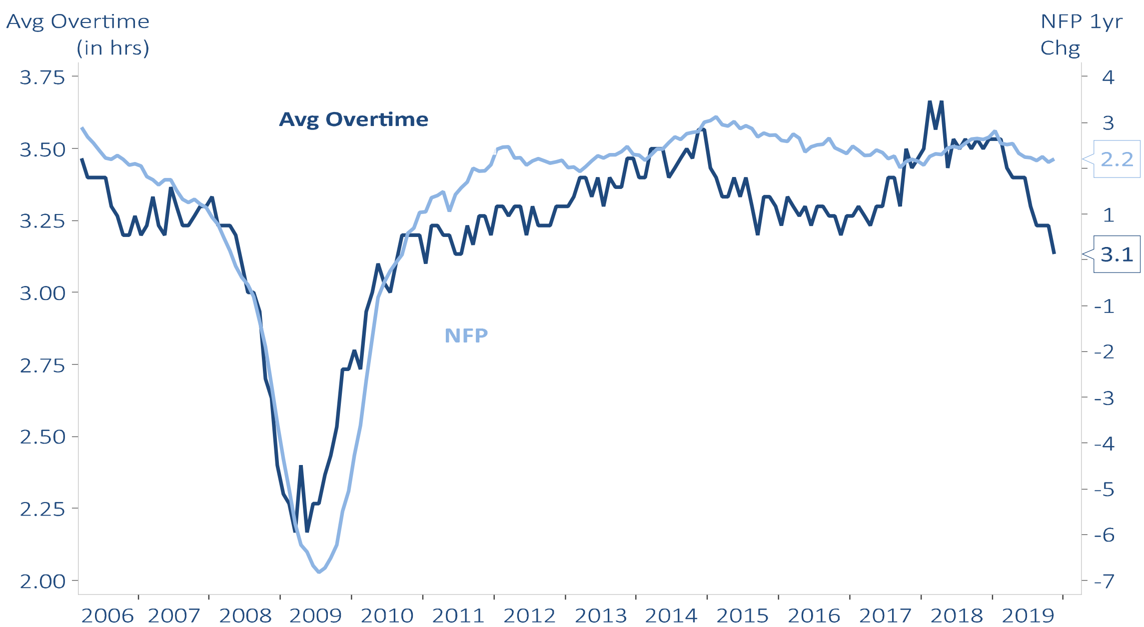
Investcorp US Corporate Capex Plans Index



Source: Investcorp

Whatever happens, it is hard not to imagine a scenario where the various headwinds begin to undermine the consumer sector. While the current job market remains generally tight, causing many managers to have second thoughts about laying off employees just yet, one can see growing evidence that more cautious corporate sentiment is impacting payrolls, a key transmission channel to consumer sentiment. One example includes the recent sharp drop in overtime hours, which has historically foreshadowed labor market weakness, as the following chart illustrates. Under the circumstances, one could see more limited gains in wages or even the potential for layoffs – depending, of course, on what happens on trade, policymaking and other fronts – which would take the wind out of the US consumer sector's sails.

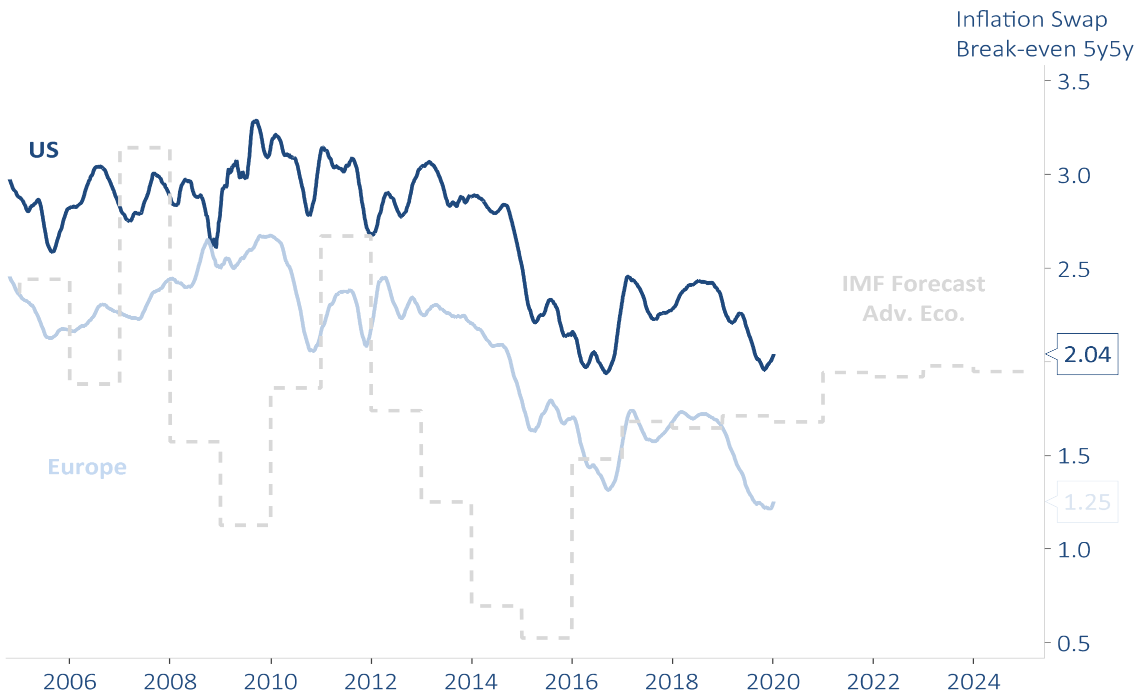
US Job Market: Average Overtime and Nonfarm Payrolls Growth



Source: Investcorp, Macrobond

Moving on to the subject of inflation, it is no surprise that the trend with respect to prices has largely mirrored the outlook for growth, with the recent weakness reopening, if only slightly, output gaps in developed countries. As can be seen in the chart below, breakeven inflation rates are near 2% in the US and around 1.25% in Europe. While this leaves room for monetary policy stimulus, it also raises the question of to what extent central banks can further stimulate the economy, especially outside the US. There is also the prospect of supply shocks, particularly in energy markets, which could affect the outlook for prices, though the oil market's response to heightened geopolitical risks in the Middle East has been muted thus far. Regardless, central banks would likely look through transitory supply-driven changes in inflation, focusing instead on the corresponding downside risks to aggregate demand.

Inflation Breakeven and IMF Forecasts

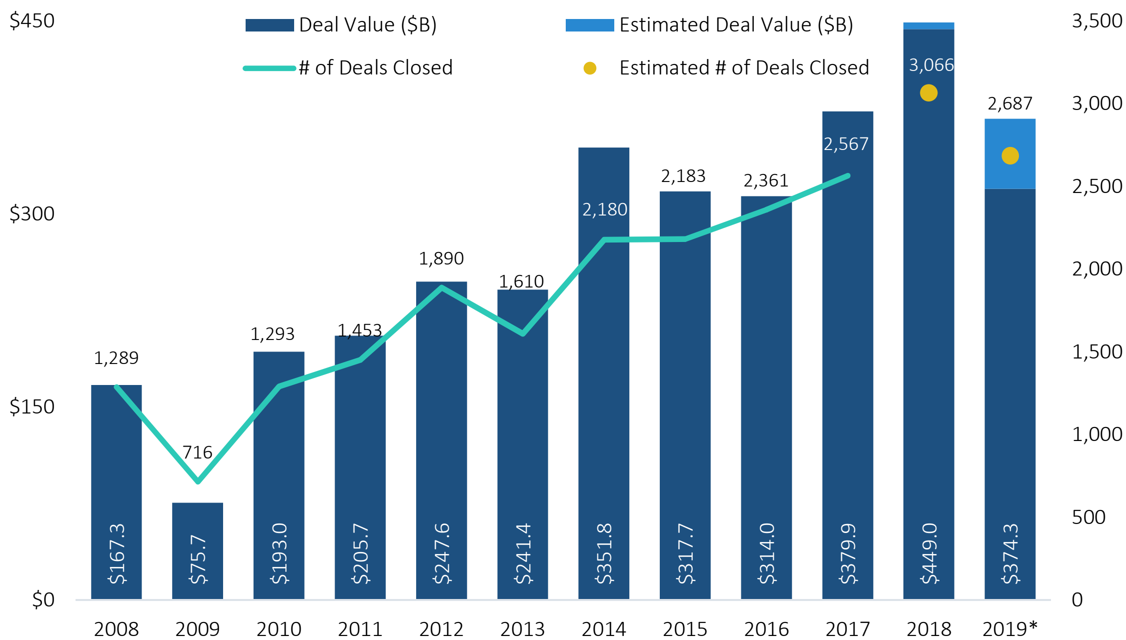


Source: Investcorp, Macrobond

Private Equity – North America and Europe

In the US, Q3 2019 was a very active quarter for both deal value and transaction count. In year-to-date Q3 2019, 2,687 middle market transactions were completed, totaling $374.3 billion in deal value – putting 2019 on track to surpass the record-setting levels of 2018. The median middle market deal size increased to $205 million through Q3 2019, signaling elevated transaction activity. Divestitures and take-privates were a major focus of the quarter as companies shed non-core assets and as PE firms saw the value in public companies that were performing poorly. Investment in technology continues to grow and accounted for ~20% of total deal value in Q3 2019. Multiples in the US remain high due to increased competition among PE firms in the middle-market space.

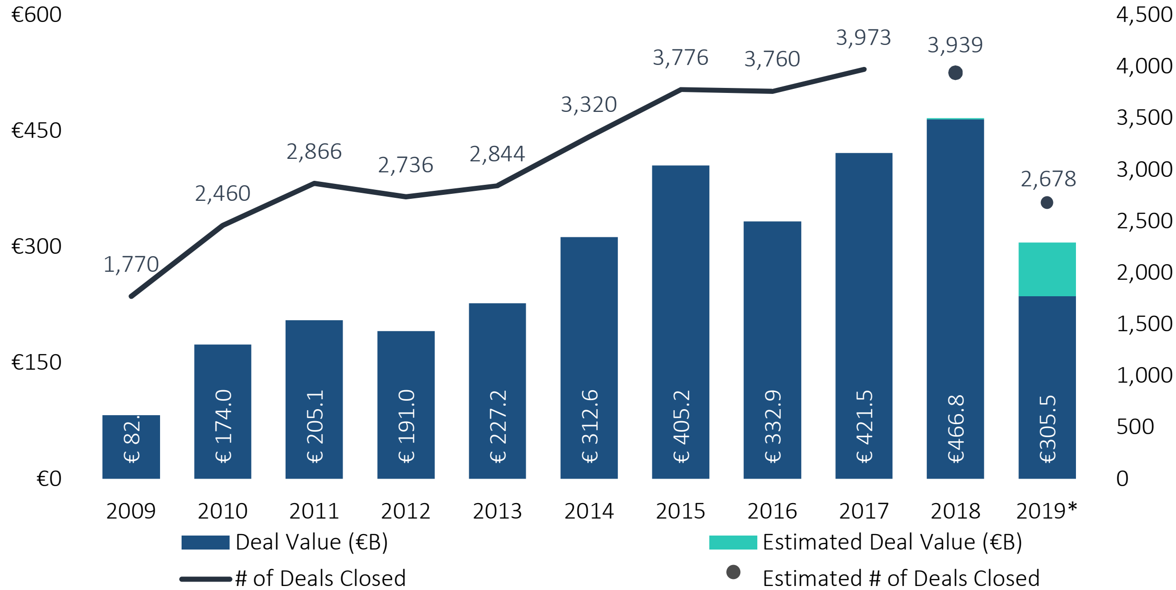
US PE deal flow by year



*As of September 30, 2019. Unknown values are estimated based on known figures.
Source: Pitchbook 3Q 2019 US Breakdown Report

According to Pitchbook, in Europe deal value in Q3 2019 recorded its highest quarterly figure of the year – €122.7 billion worth of deals closed in the quarter, representing a 24.8% uptick quarter-over-quarter. The increase was mainly due to the rising median deal size, which at €28.7 million year-to-date is on track to rise to its highest yearly reading in over a decade, and persisting long-term trends such as low-cost financing and competitive deal processes. The healthcare sector recorded its highest quarterly deal value figure on record, accounting for €13.4 billion of PE investment in Q3 and up 35.8% year-on-year. The consumer-facing sector saw declines and recorded its lowest quarterly deal volume and value figures since Q3 2009 and Q2 2014, respectively. Despite high multiples coming into 2019, slightly weaker multiples in Q3 2019 indicate a shift in GP strategies to manage challenges from evolving economic conditions. Bolt-on transactions have created a value proposition for GPs during times of excessive multiples, as smaller deals tend to command reduced multiples in comparison to large buyouts. After the typical initial platform acquisition, the multiple arbitrage from smaller deals reduces the overall average cost per acquisition. The strategy is designed to deliver holistic synergies via economies of scale, reducing exposure to economic factors that have a direct impact on the bottom line of individual companies.

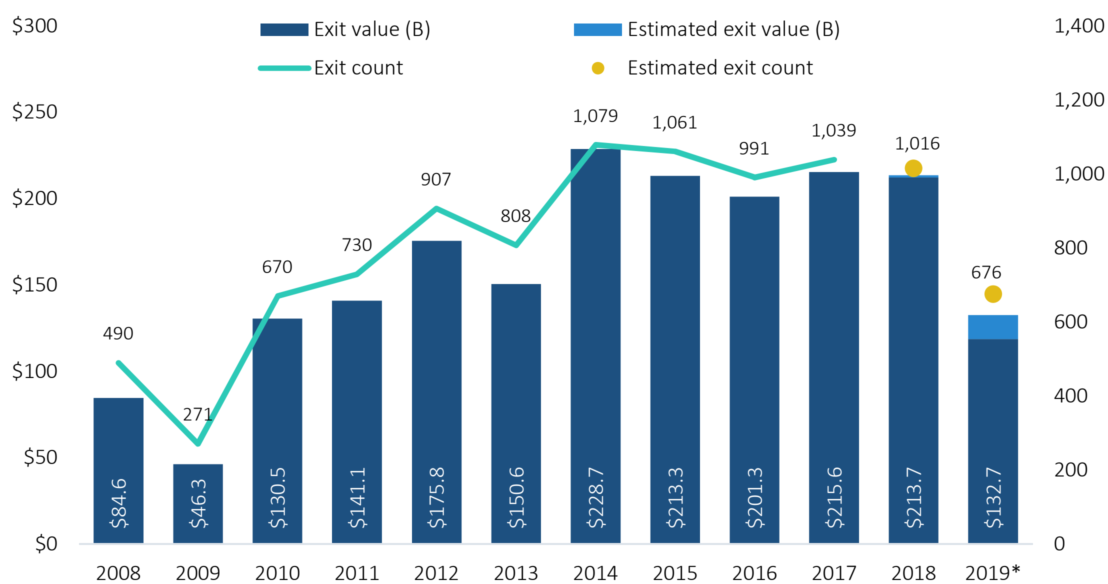
Europe PE deal activity



*As of September 30, 2019. Unknown values are estimated based on known figures.
Source: Pitchbook 3Q 2019 European PE Breakdown Report

Through the first three quarters of 2019, 676 transactions totaling $132.7 billion were completed in the US exit market – representing year-over-year declines of 9.5% and 17.7%, respectively. According to Pitchbook, the annual exit value is on pace to fall short of $200 billion for the first time since 2013. This trend is expected to continue as the majority of companies acquired from 2014-2016 are still not ready for sale. Investment holding periods have lengthened to 6.8 years on average – with fewer than 50% of middle market exits now occurring in under five years. Secondary buyouts were a major part of the overall number and value of exits in Q3 2019, unlike corporate acquisitions which saw a decline. Through Q3 2019, IT continued to grow as a percentage of exit count and value and is expected to comprise 18% of full year middle market value, which would be a new record.

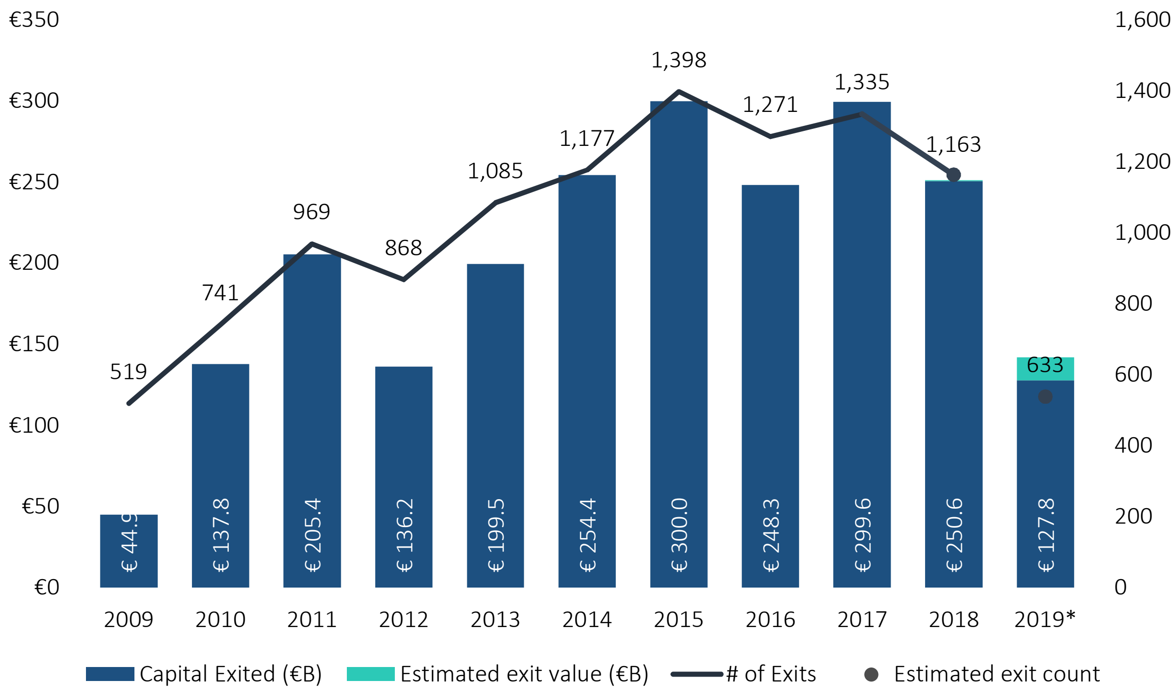
US PE-backed exits



*As of September 30, 2019. Unknown values are estimated based on known figures.
Source: Pitchbook 3Q 2019 US Breakdown Report

The number of European PE-backed exits in Q3 2019 continued to decrease, totaling €42.8 billion across 221 transactions. This development has brought the 2019 total to a low €127.8 billion, and with one quarter remaining, exit value might not surpass €200 billion in Europe for the first time since 2013. Only 21 PE-backed IPOs have taken place up to Q3 2019, putting the year on trend to record the lowest annual number of public listings since 2012. This statistic is not surprising as the quantity of listed companies has been shrinking over the past decade in Europe and the lengthy, costly and complex process of conducting an IPO could be making this exit route less appealing. While exit value across all types is down, corporate acquisitions have provided 46.7% of total exit value year-to-date and are on track to provide the highest proportion since 2016.

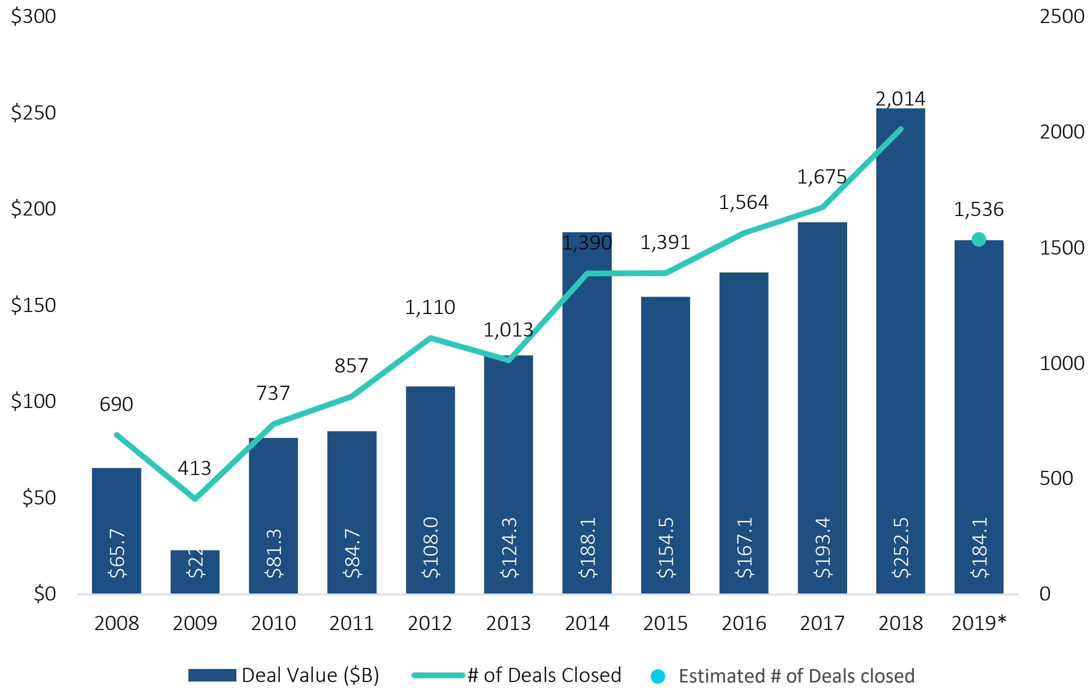
European PE exit activity



*As of September 30, 2019. Unknown values are estimated based on known figures.
Source: Pitchbook 3Q 2019 European Breakdown Report

Add-ons continue to be used to target lower-multiple acquisitions in the current high-price environment and currently represent over 50% of all US middle market deal value. US add-on investment activity through Q3 2019 was over 1,500 transactions totaling nearly $185 billion, which is almost equal to the add-on activity in all of 2017. The heightened add-on activity in recent years is largely being driven by prolific buyers that pursue numerous add-ons per platform. More than 25% of add-ons are now being acquired by platforms with at least five total add-on deals. It takes time to execute deals and integrate businesses; as such, the median time to exit tends to be about a year longer for companies that undergo at least one add-on investment.

US PE Add-on activity

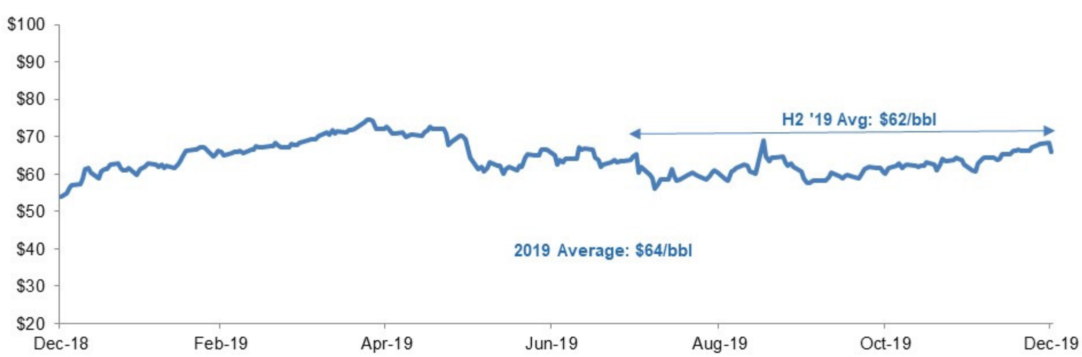


*As of September 30, 2019. Unknown values are estimated based on known figures.
Source: Pitchbook 3Q 2019 US Breakdown Report

Private Equity – MENA

While crude oil prices averaged $66 per barrel during the first half of 2019 ("H1 2019"), prices in the second half of 2019 ("H2 2019") averaged lower at $62.2 per barrel on the back of global geopolitical trade tensions further weighed on by concerns over a global economic slowdown. Overall, crude oil prices averaged $64.2 per barrel during 2019. The U.S. Energy Information Administration in its December 2019 report projects oil prices to average $61 per barrel in 2020.

Brent Crude Oil Price: January 1, 2019 – December 31, 2019 ($bbl)



Source: Bloomberg

The International Monetary Fund (IMF) in its October 2019 publication expects the overall GCC real GDP growth in 2019 to decline to 0.7%, down from 2.0% in 2018, driven mainly by oil production cuts in line with OPEC+ agreements. Non-oil GDP growth, however, is expected to grow to 2.4% in 2019 compared to 1.9% in 2018.

Growth in the GCC in 2020 is expected to rebound to 2.5%, driven by a recovery in real oil GDP growth of 1.9% as well as continued momentum in non-oil GDP growth which is expected to increase to 2.8% in 2020. Government spending and multiyear infrastructure plans are likely to support economic activity in Kuwait and Saudi Arabia, whereas the Expo 2020 related spending in Dubai and Abu Dhabi's three-year economic stimulus program of $13.6 billion are expected to support near-term growth in the UAE.

The IMF expects the Saudi economy to grow at 0.2% in 2019 compared to 2.4% in 2018. While real non-oil GDP growth is expected to strengthen to 2.7% in 2019 compared to 2.2% in 2018 on account of higher government spending, real oil GDP growth is projected to decline to -3.1% compared to +3.1% in 2018 due to oil production cuts.

Nevertheless, countries in the GCC region continue to focus on diversifying their economies, increasing the role of the private sector as well as promoting foreign direct participation within their economies.

Saudi Arabia registered the sharpest improvement among 190 countries in the "World Bank Ease of Doing Business" score for 2020, with its ranking jumping to 62 from 92 last year. Kuwait and Bahrain were also among the top ten improvers.

During H2 2019, Saudi Arabia announced that fees on expatriate workers borne by companies in the industrials sector would be waived for five years to ease pressure on such companies and maintain market competitiveness in the region. The region is also witnessing a rebound in consumer spending which grew by 4.1% year-on-year in Q3 2019 driven by strong recreational and discretionary spending.

During H2 2019, the Saudi government announced its 2020 budget with spending slated to fall by 2.7% and revenues forecast to fall by 9.2% on the back of lower oil revenues. The fiscal deficit is projected to widen to 6.4% of GDP in 2020 from an estimated 4.7% in 2019. The budget aims to balance fiscal prudence with continued support for key economic objectives, including megaprojects as the government stresses greater efficiency in spending to meet its medium-term objectives, alongside the private sector playing a greater role in meeting these aims.

A key milestone during H2 2019 for Saudi Arabia and its local capital markets was the $25.6 billion IPO of Saudi Aramco on the Saudi Tadawul, the largest IPO in capital markets history globally. The IPO was oversubscribed by investors at the top end of the range. Proceeds from the IPO are expected to be invested towards achieving Saudi Arabia's Vision 2030's economic and social development objectives. The potential inclusion of Saudi Aramco on global indexes such as the MSCI and FTSE Russell following the IPO is expected to attract $3.8 billion in passive and active foreign inflows.

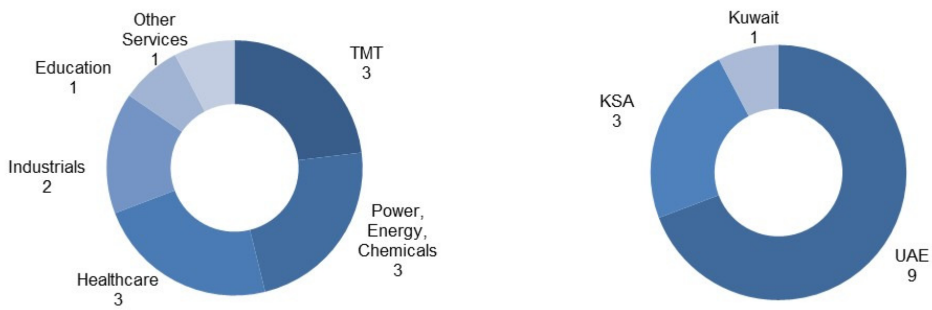
Saudi Arabia's Capital Market Authority also announced that there would be no maximum or minimum limits on the ownership of listed companies for foreign strategic investors (previously 49%) to attract foreign inflows. In addition, the Saudi Tadawul also recently announced that it is expected to allow the listing of foreign companies on its exchange in order to encourage IPO activity.

The IMF projects UAE's real GDP to grow to 2.5% in 2020 on the back of the Expo 2020 and existing fiscal stimulus, compared to a modest growth of 1.6% expected in 2019. As part of its three-year $13.6 billion stimulus plan, Abu Dhabi announced new initiatives to catalyze private sector activity, including the granting of instant business licenses and an SME credit guarantee scheme. According to the World Bank's Ease of Doing Business report for 2020, the UAE was ranked 16th globally and 1st in the MENA region.

The GCC primary stock exchanges registered seven IPOs in 2019 with a total capital raised of $27 billion (including $26 billion from the Saudi Aramco IPO) with give IPOs in Saudi Arabia and one IPO each in of Qatar and Oman. This compares to six IPOs in 2018 (excluding REITs) with a total capital raised of $1.3 billion. The IPO of Saudi Aramco is expected to encourage a greater number of companies to list across the GCC.

2019 recorded 90 M&A transactions in the GCC region, compared to 104 transaction in 2018 (-13%). 13 of these transactions were led by a financial buyer in 2019 compared to 22 transactions in 2018. Technology, Media, and Telecom (TMT), Healthcare, Power, Energy and Chemicals were the most active sectors, with the UAE being the most active market. During the same period, there were 15 exits by a financial investor.

Breakdown of GCC Private Equity Transactions in 2019 (January 1 – December 31)



Source: Merger Market, Investcorp Analysis as of December 31, 2019

In summary, while uncertainties around oil prices and geopolitical tensions remain, GCC governments overall remain committed to wide-ranging economic and social reforms to transform their economies away from the traditional reliance on oil and to create a more dynamic private sector.

The Turkish economy returned to growth in Q3 2019 on the back of stronger domestic demand after contracting for three consecutive quarters, as the economy expanded +0.9% year-on-year compared to a contraction of -1.6% in Q2 2019 and -2.3% in Q1 2019. Q4 2019 year-on-year growth is expected to be +5% with the full year 2019 growth expected to conclude at 0.2%.

During H2 2019, the Central Bank of the Republic of Turkey resorted to a series of rate cuts bringing the benchmark interest rate down from 24% in July 2019 to 12% in December 2019. The decision to lower the rates was driven by a continued improvement in the inflation outlook as well as the ongoing economic recovery. Consumer spending is showing signs of recovery supported by a decline in inflation which stood at 11.8% in December 2019, down from 20.8% in December 2018. Additionally, Turkey registered historic high tourism activity with 41 million visitors and $27 billion of revenues in the first 9 months of 2019, indicating a 15% year-on-year growth.

In October 2019, the 12-month rolling current account surplus came in at $4.3 billion, compared to a $38.9 billion deficit recorded in the 12-months up to October 2018. The improvement was supported by price competitiveness and tourism owing to a weak lira. The Turkish Lira depreciated by approximately 11% during 2019 to reach TL5.95:US$1.0 as of December 31, 2019.

In December 2019, the IMF projected the 2019 real GDP growth for Turkey at 0.2% from an initial projected contraction of -2.5%, citing the favorable conditions aided by a policy stimulus, a more stable Turkish Lira and positive market sentiment. The IMF estimates real GDP growth in 2020 to reach 3%.

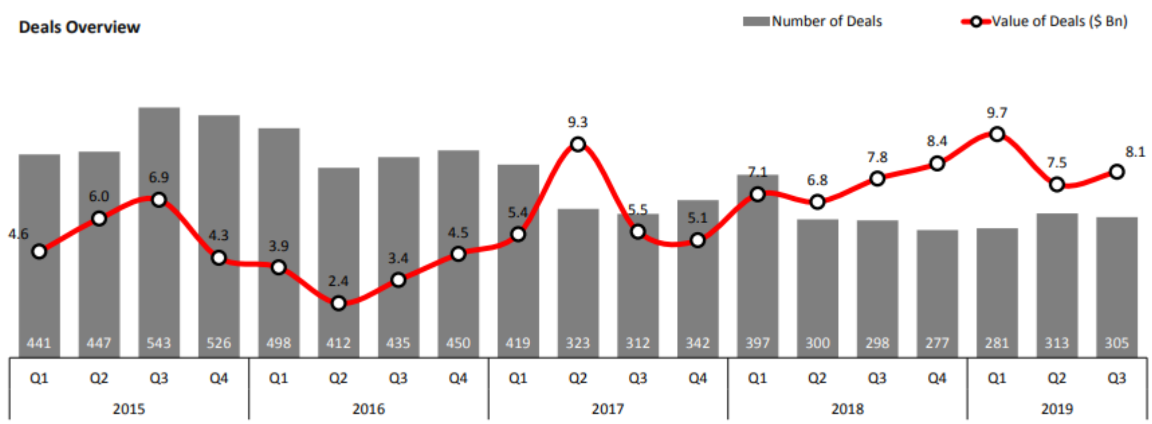
On the M&A front, Turkey recorded 88 M&A transactions in 2019 compared to 92 transactions in 2018 (-4%). Six out of these transactions were led by a financial buyer compared to 9 transactions in 2018. During the same period, there were ten exits by a financial investor.

In summary, the medium to long-term outlook for the Turkish economy remains positive on account of the country's strong fundamentals such as its sizeable young population, its aspiring middle class, its entrepreneurial culture and its strategic geographical position as a trading hub.

Private Equity – India

The number of private equity deals continues to be relatively lower but stable at around 300 deals per quarter over the last six quarters. PE deals in Q3 2019 showed marginal improvement of 2.3% and 3.8% on a year-on-year basis in terms of number of deals and deal value respectively. The marginal improvement indicates that investors are still cautious.

Table 1 - Deals Overview

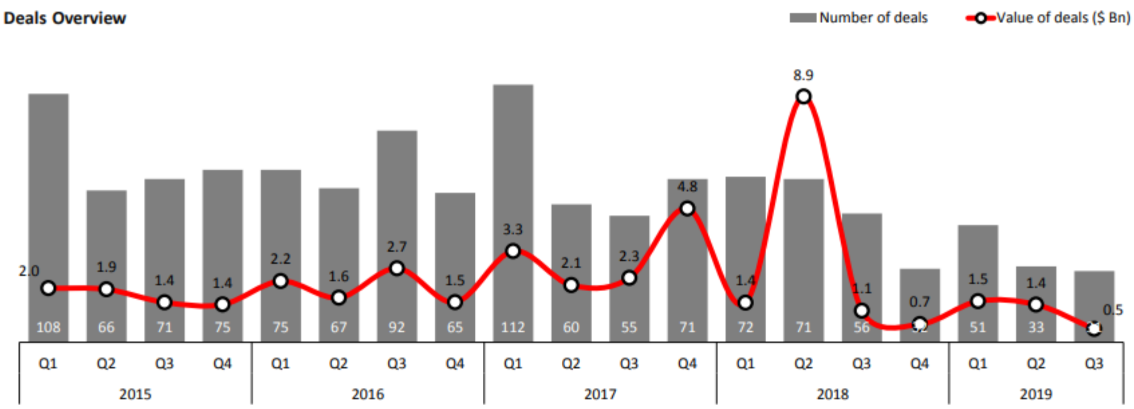


Source: VC Edge

Private equity exits saw a declining performance, in comparison to the last quarter; both in terms of exit value and activity. According to the value of deals, 2019 has seen a substantial drop in terms of exit by way of M&A and secondary sales.

Private equity exits were lower in Q3 2019 in comparison to the previous quarter. The deal value dropped by 65% in Q3 2019 as compared to the previous quarter, recording the lowest deal value in the last five years. The reason for such a decline can be attributed to the slowdown in the Indian economy which has caused private equity investors to delay their exit plans or seek alternative options. Another reason is liquidity concerns. Deal activity also saw a drop of 6% on a quarter-on-quarter basis and 45% on a year-on-year basis.

Table 2 - PE Exits Overview



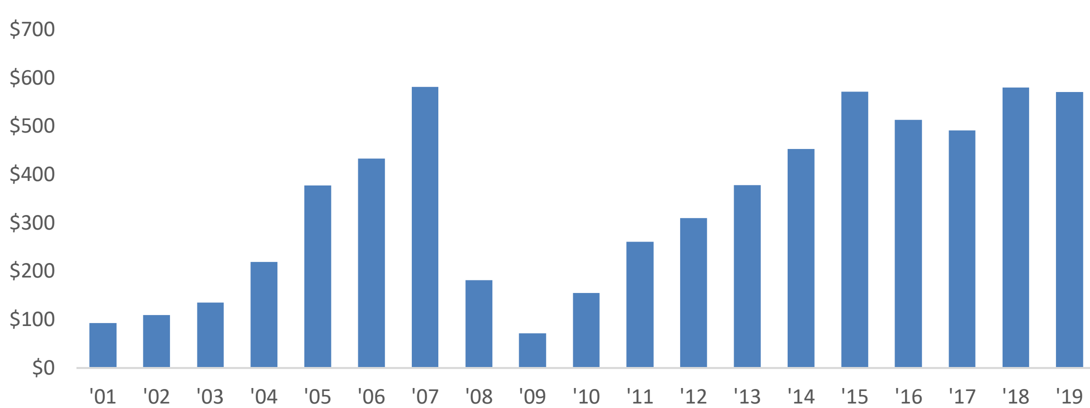
Source: VC Edge

Real Estate Investment – North America

Commercial real estate market fundamentals in the US remain healthy across most asset classes in a majority of metropolitan areas. Despite global geopolitical and trade concerns, the US economy showed positive growth in 2019. However, this growth slowed from previous years, causing the Federal Reserve to cut interest rates three times in 2019. Backed by a resilient economy, low interest rates, and strong property fundamentals, demand for US real estate remained robust with an increase in leasing activity, market rents and values. US employment levels continue to grow, and the unemployment rate stands at 3.5% as of December 2019 (versus 3.9% in December 2018). These overall economic trends continue to have a favorable impact on the office, multifamily, student housing, retail, industrial and hospitality sectors.

US real estate transaction volume was down 2% in 2019 versus 2018. However, there was growth in the sectors in which Investcorp real estate is currently active. Industrial sector sales volume was up 14% year-over year, multifamily volume was up 4% year-on-year, and office volume was up 2% for the same period. Overall prices continued to grow, although at a slower pace from a year earlier. Capitalization rates remain largely unchanged from a year ago. Further, operating fundamentals remain solid. Capital flows into the US are expected to continue to remain strong because the US is seen as a safe haven relative to other countries.

Transaction Volume ($ billions)



Source: Real Capital Analytics, Inc. December 2019

US office market fundamentals remained sound through Q3 2019. Office-using employment remained resilient and expanded in Q3 2019, with tech markets in the West and low-cost markets in the South continuing to see the highest office-using job growth. According to CBRE, office vacancy rates across the US declined to 12.1% in Q3 2019, the lowest level in 18 years. Suburban vacancy rates decreased to 13.1% in Q3, the lowest level since 2001. San Francisco maintained the lowest vacancy rate in the US in Q3 2019 at 4.8%, due to continued strong tech-tenant demand. Consistent with tightening vacancy, rent growth has accelerated over the past three years. According to CBRE, the average asking rent increased by 4.6% year-over-year in Q3. Downtown rents have increased by 8.0% over the past year, compared with 2.2% growth in suburban rents. New supply completions decreased in Q3 2019 to 8.4 million square feet, with over 80% of completions in suburban areas. For the sixth consecutive quarter, overall demand has outpaced new supply.

US retail market fundamentals remained healthy through Q3 2019 due to strong retail sales and net asking rents increasing across all major retail property segments. According to CBRE, all retail segments posted positive net absorption – the first time since Q3 2018. The overall availability rate fell slightly to 6.1% in Q3 2019. The availability rate for the neighborhood, community and smaller shopping center segment has been declining since Q4 2017, primarily due to the increased demand for grocery-anchored centers. Retail sales, excluding sales at gasoline stations, remained healthy and increased by 4.4% year-over-year, driven by growth in e-commerce (non-store retailers) and restaurants. Net asking rent growth increased by 1.0% in Q3 2019 and 5.0% year-over-year. The average net asking rent reached the highest level since CBRE began tracking the metric in 2005. Total retail completions declined in Q3 to approximately 6.7 million square feet.

US market fundamentals for the **industrial market** remained stable through Q3 2019. According to CBRE, the overall vacancy rate ticked up in Q3 to 4.4% due to an increase in new completions. Net absorption increased by 16.8% quarter-over-quarter, marking the 38th consecutive quarter of positive net absorption. Detroit, Savannah, Milwaukee, Los Angeles, and Indianapolis led the way with the lowest availability rates, all below 4.1%. Low availability rates and strong leasing demand have resulted in sustained rental growth. The average net asking rent grew 1.3% in Q3 2019 to $7.57 per square foot - the highest level since CBRE began tracking the metric in 1989. Rents increased 5.7% year-over-year, more than two percentage points above the average annual growth rates since 2012. New supply was up 12.3% from the previous quarter but down 11.2% year-over-year. A strong labor market and rising wages are expected to continue to be a primary driver of demand for industrial space. According to CBRE, e-commerce, food & beverage and home improvement companies continue to drive leasing activity, and many of these users are expanding in several industrial hubs.

US market fundamentals in the **'for rent' multifamily market** remained healthy in Q3 2019. According to CBRE, the vacancy rate fell to 3.6% in Q3, the lowest level since 2000. Vacancy has fallen on a year-over-year basis for the past eight quarters and has remained under 5% for more than five years. Markets with the lowest vacancy rates were New York metro, Dayton, Detroit, Boston, Minneapolis, Cincinatti and Providence – all below 3.0%. Average monthly rent rose 2.9% year-over-year, above the 20-year historical average of 2.6%. Demand remains strong due to favorable demographics and shifting lifestyle preferences favoring renting rather than owning. While multifamily rents have risen 35.3% this decade, single-family home prices have risen much more (67.9% since 2010). New supply is concentrated in large markets (typically in urban locations) with more than half of all new supply located in only nine markets. Markets that saw the biggest increase in supply for the four quarters ended in Q1 2019 were New York, Dallas/Fort Worth and Los Angeles/Southern California. Demand in each of these markets remains solid. Net absorption outpaced completions for the year ending in Q3, demonstrating the sustained high levels of multifamily demand throughout the US.

The US **student housing market** continues to be an attractive asset class. Sales activity has been a bit subdued in 2019, primarily driven by a lack of large portfolio transactions. Capitalization rates remain very competitive at top tier schools but have widened in less desirable markets, fundamentals remain positive with vacancies in privately owned properties just above all-time lows. Both foreign and domestic capital sources continue to seek ways to enter the sought-after asset class. The student housing sector has historically performed well during recessionary periods and forecasts on new supply, enrollment growth and occupancy are favorable, which are expected to create a positive operating dynamic in the near term.

The US **hospitality market** remained stable in Q3 2019. According to CBRE, demand growth grew by 1.8% year-over-year in Q3 2019, slightly slower than in Q2. Supply growth remained at 2.0%; of the 60 markets that CBRE tracks, 33 had supply gains of over 2.0% year-over-year in Q3, four more than in Q2. The markets which saw the largest year-over-year demand increases were Austin, Houston and Denver. US occupancy decreased by 0.1% year-over-year, to just over 70%. Of the 60 markets that CBRE tracks, 50% had declines in occupancy, same as in Q2. Average daily rate (ADR) increases remained modest at 0.8%, which resulted in revenue per available room (RevPAR) growth of only 0.7%, the lowest rate since the current hotel cycle began in Q1 2010. Louisville, Tucson and Albuquerque had the highest RevPAR gains (all over 9%). Markets that saw the biggest increase in supply year-over-year were Nashville, Denver, Austin and Seattle.

Real Estate Investment – Europe

United Kingdom

Whatever the ultimate outcome of Brexit negotiations with the European Union in 2020, it seems that uncertainty will continue to hold back GDP growth, weaken the pound and keep interest rates and gilt yields low. But looser fiscal policy is expected to generate at least some improvement in GDP growth which is forecast to be approximately 1.0% in 2020 and to rise to 1.8% in 2021. There is some early evidence that the conclusive election victory of the Conservative Party has had a positive impact on the economy, but the size and duration of any upswing will depend on how well the next stage of Brexit negotiations goes.

Despite the uncertainty, the UK unemployment rate remains steady at 3.9%, the lowest level since January 1975.

As the retail sector changes and e-commerce continues to grow, the challenges of getting goods to consumers in major cities across the UK, are expected to become ever more complex. One expected implication is that demand for urban logistics will continue to grow – a sector in which supply is highly constrained. There could be some downward pressure on yields, but the main effect is expected to be on rental growth across UK hubs – with more than 5% rental growth expected for inner London. Despite geopolitical uncertainty, in 2019, take-up for units over 100,000 sq. ft. has reached 34.2 million sq. ft.. Demand was well-diversified, with no one sector or occupier dominating. Nationwide supply has risen by 3.9 million sq. ft. and now stands at 35.8 million sq. ft., reflecting a vacancy rate of 6.7%. Given the political uncertainty that pervaded investment markets throughout 2019, a total logistics volume of £3.9 billion represents a very strong performance, representing the second highest capital deployment ever, a rise of 9% on 2018.

Development has been comparatively restrained in most office markets over the past few years, despite demand remaining robust. Vacancy rates are now below historic averages in central London and the major regional cities. Current enquiry levels suggest that demand is unlikely to fall back in 2020. This could lead to a surge in rents as the year progresses and could ultimately stimulate development activity. Some regional office markets are currently experiencing a supply crisis; while in the City of London, the expansion in demand suggests that the current level of newly built supply will be easily absorbed.

In London, leasing volumes remained relatively stable at 3.1 million sq. ft. for Q3 2019 and marginally above the five-year quarterly average. Take-up in the UK regions totaled 1.1 million sq. ft. over the same period, a 26% fall quarter-on-quarter and 19% below the five-year quarterly average. Tenant demand remained healthy across the UK, with little indication of weakening sentiment. In the UK regions, availability fell for the seventh consecutive quarter; at the end of Q3 2019 there was 7.5 million sq. ft. available to lease, 22% below the five-year average. The availability of new and refurbished space fell further to under 1.4 million sq. ft., the lowest since 2003. In London, availability rose by 6% to 13.0 million sq. ft. The relative lack of speculative space in the near-term development pipeline will most likely keep vacancy rates in check during 2020.

UK commercial real estate investment turnover rose for the second consecutive quarter to £5.0 billion, although activity remains significantly below the five-year average of £6.3 billion. The main barrier to commercial real estate investment remains a marked lack of available stock. Overseas investors accounted for just 50% of all transactions, although the UK's relatively good value continues to attract global capital.

Germany

The German Economic Ministry forecasts gross domestic product to expand by 1.0% in 2020. While the outlook for 2020 is an improvement over the latest GDP growth projections for 2019 of 0.5%, it does represent a slowdown compared with previous years.

Germany's crucial manufacturing sector has been adversely affected as trade disputes weaken the demand for exports, and the prolonged slowdown is softening political resistance toward loosening the country's strict balanced-budget policy. The domestic economy remains resilient, however, and there are signs that the international trade environment may soon improve.

German unemployment has steadily declined in the last six years and currently stands at only 3.0%. A continued low unemployment rate is expected to benefit domestic demand, which is in turn expected to support economic growth in Germany.

The 'Big 7' office occupier markets (Berlin, Cologne, Dusseldorf, Frankfurt, Hamburg, Munich and Stuttgart) have performed well in the first nine months of 2019. Take-up accelerated in the current year to 3.1 million sq. m., representing a 5% year-on-year increase. While all 'Big 7' markets performed well, Stuttgart in particular was noteworthy having achieved an increase of 58% compared to the previous year's take-up figures.

The short-term supply of office space is still in decline. Total vacancy in the 'Big 7' office markets stood at 3 million sq. m. in September 2019 which corresponds with a vacancy rate of 3.2%. Vacancy declined by 1 million sq. m. just in the last five quarters. Among the 'Big 7', Hamburg registered the steepest decline in vacancy.

While these conditions have stimulated an increase in new construction activity, particularly in Berlin, vacancy is expected to remain low in the foreseeable future. It is expected that completions will total approximately 1.2 million sq. m. in 2019 of which 85% is already pre-let. The development pipeline for 2020 exceeds 1.9 million sq. m., however, supply is not expected to keep pace with demand.

As of September 2019, prime rents increased by approximately 6.8% year-on-year in the ‘Big 7’ markets and reached their highest levels since 1992. Further growth is expected by year-end and the trend is expected to continue in 2020, albeit at a slower pace.

The German commercial real estate investment market closed out the 2010s with a new record. The transaction volume in 2019 totaled almost €71 billion, representing an increase of 9.3% compared with 2018. Offices were the most sought-after asset class, with office properties accounting for almost half of the total volume. Prime office yields declined further to 3.0% p.a.

The Netherlands

As of December 2019, the Dutch economy has seen 21 consecutive quarters of growth, one of the longest periods of uninterrupted growth since the 1990s. Consumer spending continues to increase (+1.8% in 2019), while unemployment is at one of the lowest levels seen this decade (3.5%) and is expected to remain stable. Overall, the Dutch economy is outperforming the Eurozone average on many economic indicators.

Although the Dutch economy is performing well, some key economic indicators such as exports and GDP have edged downwards compared to 2018. This is linked to increasing international political uncertainty, trade tensions between China and the USA and Brexit uncertainty, all of which may be resolved by the end of 2020.

The occupier market has been performing well across the office and industrial sectors in recent years, although there have been changes. First, the Dutch occupier market has become more diversified over the past decade. While office was the most dominant market ten years ago, logistics is currently the fastest growing asset class due to the growth in online retail. Second, the demand for office space at strategic locations has increased, especially at transit hubs. Due to limited development at strategic locations, there is persistent scarcity. The shortage of office space is particularly evident in the majority of the ‘G4’ region (Amsterdam, Utrecht, The Hague, Rotterdam), where rents have risen in recent years. As a result of scarcity and rental growth at prime office locations, companies have increasingly been moving to secondary locations. As a result, demand is rising, vacancy rates are falling, and rents are growing in prime as well as secondary locations.

In the first three quarters of 2019, a total of 874,000 sq. m. of office space was occupied which represents a 16% decline compared to the same period in 2018. One of the main reasons for this decline is the lack of availability of good quality office space in sought after locations. The lowest vacancy rate was recorded in Utrecht with 4.3%, followed by Amsterdam with 5.4%. During the first three quarters of 2019, approximately €15.3 billion was invested in Dutch commercial property, of which office accounts for approximately 28%. This is an increase of 10% compared to the same period in 2018.

Real Estate Investment – India

Residential

Residential unit launches in 2019 have increased by 23% year-on-year (223,000 units), and unit absorption has increased by 1% year-on-year (245,000 units). The robust increase in unit launches was due to the increasing focus on affordable housing and smaller units. 60% of launches were at ticket sizes under $70,000. Unsold inventory reduced by 5% year-on-year to 445 thousand units in 2019, while inventory overhang reduced to 8.9 quarters to sell (qtrs.) in H2 2019 as compared to 10.2 qtrs. in H2 2018. Recent measures such as a 135 bps rate cut in 2019 by the Reserve Bank of India (RBI), a reduction of Goods and Services Tax (GST) rates to 1% for affordable housing / 5% for others and setting up a $3.5 billion Alternative Investment Fund (AIF) are aimed at resolving supply side issues as well as stimulating housing demand. Sales are expected to pick up going forward.

Source: Knight Frank India Real Estate Report Dec 2019

Commercial

Office markets continued to grow at a robust rate during the first nine months of 2019 across the top seven cities (Delhi, Mumbai, Bengaluru, Chennai, Hyderabad, Pune and Kolkata). Net absorption rose by 43% year-on-year to 33 mm sq. ft. during the first nine months of 2019, while supply increased by 42% year-on-year to 36 mm sq. ft for the same period. Robust demand, declining vacancies and rising rentals make commercial real estate a preferred asset class for foreign institutional investors. Commercial REITs are expected to raise approximately $25 billion over the next three years from the listing of 150 million sq. ft. of office properties across the top seven cities. Capital flows to the Indian real estate sector increased 44% year-on-year to $4.6 billion up to September 2019, while approximately $3.2 billion (70%) was invested in offices.

Source: JLL Office Real Estate Q3 2019

Warehousing

The new supply of grade A and B logistics and warehousing space increased by 17% year-on-year to 28 million sq. ft. in 2019 with 20 million square feet already leased. The market is rapidly evolving towards grade A buildings compared to grade B and C for most of the existing supply. Investments of approximately $200 million in this sector in the first nine months of 2019 represent a 27% year-on-year decline.

Source: Anarock Research

Absolute Return Investments

Hedge funds delivered positive performance of +2.1% for H1 FY20, as measured by the HFRI Fund of Funds Composite Index, compared to a performance of -4.7% in H1 FY19.

Global equity markets had a significant run in H1 FY20 with the S&P 500 up 10.9% with particularly strong performance in November and December and the MSCI World Equities up 9.1% during the same time period. All Hedge Fund strategies rallied with the exception of Credit which was slightly negative.

Global macro discretionary funds were marginally positive over the first half of FY20 with the HFRI Macro index returning +1.2%. Global macro discretionary funds ended 2019 with the best performing annual return since 2010, however positive performance was more skewed to the first half of 2019. There was significant dispersion across global macro discretionary managers over the first half of FY20 and for 2019. Several global macro managers, across a range of trading styles, were able to post strong returns in H1 FY20 and end 2019 with performance in the mid-teens to 20%+ range. The most successful macro discretionary managers in 2019 were able to primarily profit from trading in fixed income, due to the pick-up in fixed income volatility offering a wider range of relative value and directional trading opportunities for managers. Managers benefitted from the sharp rally in government bonds as the US 10-year rallied +55bps (2.0% to 1.45%) from July 1 to early September and strong global equity markets in the first half of FY20 (the S&P 500 returned +10.9%). The Federal Reserve made their first interest rate cut on July 31st the first since 2008 and there were some pockets of weakness between August and October as the sell-off in global bonds in September and subsequent rally in October, combined with the inversion of the US 2's 10's curve for the first time since 2007, caught some managers out. In August, several emerging markets specialist managers suffered drawdowns from their exposure to Argentina bonds and currency that collapsed after the shock electoral defeat of Argentina's President Mauricio Macri. There was also strong performance among commodity specialists in H1 FY20. There was significant volatility across the whole commodity complex in H1 FY20. Gold broke out of long-term ranges in 2019 rising from the $1,400 level in July to break $1,500 in August as the opportunity cost of yield bearing assets fell. There were also significant moves in the energy complex including Brent / WTI, gasoline and heating oil and managers profited from both directional and relative value trading.

Commodity trading advisors (CTA) generated modest performance in H1 FY20 with the HFRI Macro Systematic index returning +1.2%. CTA managers broadly benefited from the sharp rally in government bonds and strong global equity markets in 2019, however there was weaker performance in H1 FY20 across most managers – particularly in September and October - as global bonds sold off after a strong run from Q4 2018. Despite the weaker performance in September and October the strategy ended 2019 with the strongest year since 2014.

Convertible arbitrage strategies produced consistent returns over H1 FY20 with the HFRI RV: Fixed Income - Convertible Arbitrage index returning +3.4% to end 2019 at +10.4% - the best year for the convertible arbitrage strategy since 2010. Convertible arbitrage strategies benefitted from tightening credit markets and higher delta names benefitted from strong equity markets. In addition, strong new issuance trends also supported convertible performance. Global new issuance in 2019 was on par with 2018 at $85 billion and H2 2019 (particularly August and September) saw an acceleration in in new issuance trends. Within the US, convertible performance was led by technology, media and healthcare sectors; large-capitalization names outperformed mid and small capitalization names; equity sensitive (high delta) names outperformed less equity sensitive names; finally, lower credit quality names outperformed higher quality.

Equity market neutral (EMN) strategies continued to struggle in H1 FY20, the HFRI EMN index generated returns of +0.9% and ended 2019 at +2.4% - therefore one of the weakest performing hedge fund strategies. The EMN strategy has struggled for much of the last 12-18 months primarily due to aggressive factor rotation and a persistent “growth” versus “value” factor bias that has hampered returns. There have been periodic liquidations across the quantitative equity space over the last 12-18 months most likely emanating from large liquidations from multi-strategy and specialist quantitative managers and this has had a negative impact on the broader space.

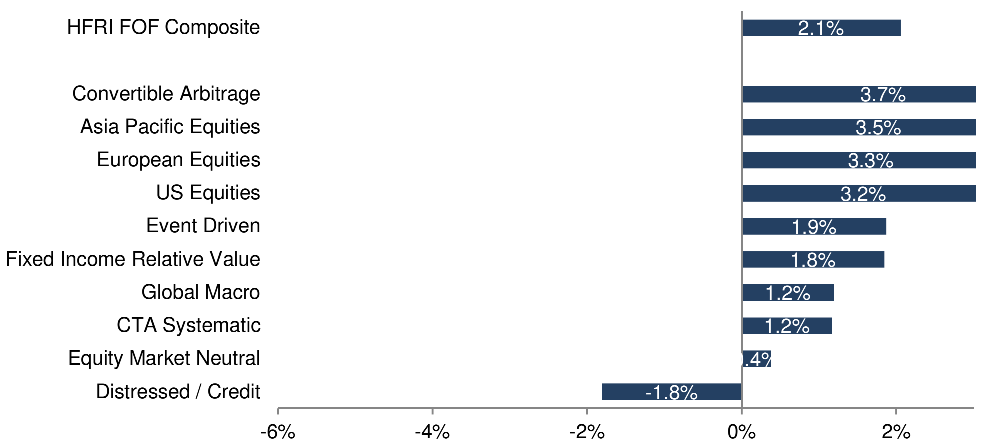
Fixed income relative value strategies produced steady returns over H1 FY20 with the Credit Suisse Fixed income Arbitrage index up 2.6% - performing roughly in line with broader hedge fund strategies during H1 FY20. Fixed income volatility was more elevated over the last 12 months as markets disagreed strongly with the Federal reserve “dot plot”, paving the way for more fixed income volatility that generally benefitted relative value trading. Fixed income relative value managers were also generally able to navigate the turbulence that surrounded the repo market (that serves as a source of balance sheet leverage for fixed income hedge funds) in H1 FY20. The repo market required significant intervention from the Federal Reserve in September in order to calm markets and to reduce overnight repo rates that had exploded higher. Some fixed income managers were able to benefit from this turbulence, particularly around the turn of the year.

Credit funds were up 1.7% in the first half of FY20 as measured by the HFRI: Credit index. Within this category, structured credit funds (HFRI: RV-FI ABS +2.9%) led the way, followed by funds focused on corporate credit (HFRI: RV-FI Corporate Credit +1.9%), while distressed funds (HFRI: Event-Driven Distressed/Restructuring -2.2%) declined. The strategies competed amidst a relatively healthy high yield (“HY”) market as the Bank of America Merrill Lynch HY Master Index returned +3.9% in the first six months of FY20. However, not all sub-sections performed similarly as CCC’s lagged the overall indices, returning approximately +1.9% with distressed credits performing even worse. The market selloff of most assets downgraded to such levels created tailwinds for managers primarily focused on distressed credit as well as CLO equity, both of which contained their share of CCC and related exposure. Despite the headwinds facing CLOs, structured credit managers largely benefited from a benign real estate market that saw spreads narrow across much of the RMBS and CMBS capital stack.

Equity long/short (L/S) hedge funds finished the first half of FY20 with positive performance as the HFRI: Equity L/S (Total) index was up 4.1%. The index posted a relatively high beta to the MSCI World Index as that index delivered a robust +8.8% return over the same period. Many funds ramped up their net exposure as the market seemed to run higher and higher over the course of 2019, leading to equity long/short hedge funds posting their best calendar year return since 2013 as the HFRI Equity L/S (Total) Index was up 13.7% on the year. As would be expected, more long biased funds tended to outperform their more hedged peers over the six month period of what was a favourable market for equities, while alpha generation remained limited.

Event driven funds finished the first half of FY20 up 2.0% as measured by the HFRI Event Driven (Total) index. Key sub-strategies included activism (HFRI ED: Activist index, +7.3%), merger-arbitrage (HFRI ED: Merger Arbitrage index, +3.5%), and special situations (HFRI ED: Special Situations index, +2.8%). The activist sub-strategy led the way with its more long-biased investment approach in what was a conducive market backdrop. Merger-arbitrage followed as merger spreads narrowed over the course of the period with little in the way of key deal breaks. Special situations lagged overall performance due to the combination of a limited corporate activity calendar, a less market sensitive approach, and limited use of leverage.

Performance of hedge fund strategies (Jul 2019 – Dec 2019)



Source: PerTrac, Investcorp

Credit Management

US Leveraged Loan Market

US leveraged loans, as measured by the Credit Suisse Leveraged Loan Index (CSLLI), had a strong year in 2019, returning 8.17%; the highest annual return since 2016 (9.88%). The market ended the year in a bullish mood, with a Q4 2019 return of 1.68% almost entirely due to the 1.61% return seen in December and driven primarily by strong demand in that month for riskier (lower rated) assets, a reversal of the trend towards “safer” assets more generally seen in 2019 (discussed below).[1]

[1] Credit Suisse Leveraged Loan Index December 31, 2019

Market technicals were a clear headwind in 2019. Overall loan market growth slowed to an average $4.0 billion per month in 2019, compared to $15.9 billion per month in 2018, reflecting the strong pace of repayments in the year. Repayments peaked at over $40 billion in August 2019 but remained elevated throughout the year, averaging $20.8 billion per month.[2]

On the new issuance front, volumes were down $11 billion per month at $25.8 billion per month on average (2018: $36.2 billion)[3] driven by an over $108 billion or 39% reduction in M&A related volumes in the year, with M&A volumes being $166 billion in 2019 against $275 billion in 2018. Despite the relative lack of new M&A transactions, the usual uptick in opportunistic refinancing and recapitalization volumes was not seen, with these activities also down in 2019 at $97.7 billion (2018: $115.9 billion) and $32.2 billion (2018: $37.6 billion) respectively[4].

On the demand side, CLO issuance was a healthy $117.9 billion in 2019, 9% below the record tally of $128.9 billion in 2018 but in line with the $118.1 billion seen in 2017. The healthy CLO demand was partially offset by continued retail outflows, as rate sensitive investors rotated to fixed rate away from floating rate. This trend reversed when the Fed ceased cutting rates in late 2019.[5]

Overall, the subdued new issuance activity and high level of repayments in 2019 resulted in an overall institutional market supply shortage of $32.2 billion[6]. This, in turn, has helped support secondary prices over the year, albeit with some individual month on month volatility, with the average price of the CSLLI closing the year at 96.51% having opened at 94.09%.[7]

Sector-wise, performance was somewhat mixed over the year. Metals and Minerals (-3.55%), Energy (-0.07%), and Consumer Durables (+2.73%) were the notable losers. Food and Drug (+11.87%), Housing (+10.05%) and Aerospace (+9.26%) were the standout performers.[8]

With respect to credit quality, the higher rated issues outperformed their lower-rated counterparts over the year. BB-rated issues returned 8.77%, B-rated obligations 8.14% and CCC-rated issues 2.75%. However, prior to December 2019, the differential in return of BB-rated issues was more pronounced when compared to lower rated issues with both Single-B rated and CCC rated issuers generating significant returns in December 2019 of 1.95% and 3.38% respectively in that month, compared to 0.83% for BB-rated issues as investors pivoted towards more risky assets.[9]

Overall, the leveraged loan fundamentals still seem sound at the end of 2019. The trailing 12-month default rate remains low at 1.39% compared to 1.63% at the end of 2018 and its 2.9% historical norm. That said, there are clear indicators that stress is increasing in the market, with the percentage of issues priced below 70 and 80 cents on the dollar, ending the year at 2.1% and 3.8% respectively, compared to 2.7% and 0.7% at the end of 2018. Again, these statistics benefit from the December 2019 market rally, with the percentage of issues priced below 70 and 80 cents on the dollar ending November at 5.9% and 2.5% respectively.[10]

[2] LCD News/S&P Jan 2, 2020
[3] LCD News/S&P Jan 2, 2020
[4] LCD News/S&P Quarterly Wrap Charts Jan 2020
[5] LCD News/S&P Jan 2, 2020
[6] LCD News/S&P Jan 2, 2020
[7] Credit Suisse Leveraged Loan Index December 31, 2019
[8] Credit Suisse Leveraged Loan Index. December 31, 2019
[9] Credit Suisse Leveraged Loan Index. Dec 31, 2019
[10] LCD News/S&P Dec 31, 2019

European Leveraged Loan Markets

In Europe, leveraged loans, as measured by the Credit Suisse Western European Leveraged Loan Index (CSWELLI), also returned a healthy 8.17% over 2019, benefitting from a similar December rally, with the CSWELLI returning 1.01% in December 2019.[11] However, the market exhibited less month-on-month volatility than seen in the US market, with only one month of negative returns (October 2019: -0.11%) seen during the year.[12] 2019 European new issuance volumes totaled €80 billion, a 17% reduction on the €96 billion of issuance seen in 2018.[13]

Unlike the US, the pace of repayments did not accelerate in 2019, with the S&P European Loan Index (ELLI) seeing €23.3 billion of repayments compared to €25.1 billion in 2018. That said, Q4 2019 did see a relative acceleration with €8.1 billion of repayments versus €3.0 billion in the same period of 2018, with two significant loan to bond refinancings, for Berry Global and Grifols. These types of refinancings are expected to become an increasing feature of the European market in 2020 given the current significant demand for high yield paper and relatively low coupons on offer to issuers in that market.[14]

2019 CLO issuance also remained strong, with another post crisis record issuance of €29.8 billion of offerings, an increase of 9% from the €27.3 billion seen in 2018.[15] The buoyant demand for loans resulted in the average price of assets in the CSWELLI increasing from 96.54 at the end of December 2018 to 98.32 at the end of 2019. As a result of this price appreciation, the benchmark's average discount margin also dropped significantly over the year from 473 basis points at the end of 2018 to 406 basis points at December 2019, despite the average spread of the index assets remaining relatively flat, closing the year at 349 basis points having opened at 345 basis points.[16]

Performance across sectors was mixed during the year. Notable laggards Energy, Food and Drug, and Aerospace all posted only slightly positive returns at 0.31%, 0.49% and 0.58% respectively. The major winners were Consumer Durables, Media/Telecommunications and Information Technology which gained 11.06%, 9.83% and 8.91% respectively.[17]

Riskier CCC-rated obligations underperformed the overall market in 2019, with CCC names returning 6.49% for the year. However, over 70% of this return was generated in the December 2019 rally, which saw CCC assets up 4.60% in the month. In contrast, BB-rated and B-rated loans performed well through the year, gaining 8.26% and 8.28% respectively over 2019.[18]

Default rates in Europe remained very low in 2019, ticking up slightly as the year ended at 0.44%, having been at zero for the first 8 months of the year. However, other indicators of market stress have been increasing, with the S&P ELLI Distress ratio (those assets trading below 80 cents on the Euro) ending the year at 3.4%, slightly down from its peak in October 2019 of 4.5%. To put this in context, the October 2019 mark was the highest level seen for the distress ratio since January 2015.[19]

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[11] Credit Suisse Western European Leveraged Loan Index (hedged to USD). Dec 31, 2019
[12] Credit Suisse Western European Leveraged Loan Index (hedged to USD) and Credit Suisse Leveraged Loan Index. Dec 31, 2019
[13] LCD News/S&P Sept 3, 2019
[14] LCD News/S&P European Technical Data January 2020
[15] LCD News/S&P European Technical Data January 2020
[16] Credit Suisse Western European Leveraged Loan Index (hedged to USD). December 31, 2019
[17] Credit Suisse Western European Leveraged Loan Index (hedged to USD). December 31, 2019
[18] Credit Suisse Western European Leveraged Loan Index (hedged to USD). December 31, 2019
[19] LCD News/S&P European Default Data January 2020

This can be viewed as a more interesting indicator of stress in the European market going forward than the default rate given the prevalence of covenant-lite deals in Europe (which represents over 80% of the market) which reduces the expected incidence of defaults in the market.[20]

Loan market outlook

As Investcorp closed 2019, the macro environment across both the US and European markets remained supportive, with no expectations of significant movements in central banks' postures from that seen in 2019 and no expectations of further Federal Reserve rate cuts in the short term. Specifically in Europe, the initial Brexit withdrawal agreement has finally been agreed upon and 10-year German Bund yields have rallied sharply closing 2019 at -0.185% from the lows of -0.71% seen in August 2019 and having opened 2018 at +0.165%.

The macro environment in 2020 will undoubtedly be significantly influenced by the increase in tensions in the Middle East and any further retaliation by Iran for the recent events in Iraq. Clearly, it is too early to predict the impact of the current situation and any response but, as with all risk assets, one can expect any escalation to weigh on performance across markets.

Turning to the US loan market, from a supply perspective, the market view is that new issuance will remain relatively subdued in 2020 as high vendor valuation expectations persist and continue to suppress M&A transaction completions. Issuance is forecast to be in the range of $275 billion (JP Morgan) to $308 billion (Morgan Stanley). To put this in context, the high end of the range is broadly in line with the $310 billon of new issuance seen in 2019. That said, it could be argued that low near-term US recession risk alongside low interest rates, significant private equity dry powder and a desire to get transactions completed before the November US presidential elections may support a higher level than initially forecasted. The market expects CLO volumes to also decline in 2020 but remain healthy, with an expectation of $80-100 billion of issuance versus $118 billion in 2019.[21]

Investcorp expects that the US market will continue to see a strong bifurcation between higher and lower rated assets, with higher rated assets continuing to outperform in 2020 (notwithstanding the rally seen in December 2019) as ratings pressures continue to focus CLO managers away from higher risk assets ahead of potential ratings downgrades. This bifurcation and the expected increase in downgrades is also reflective of an expectation of increased stress in the market which one can expect to flow into an increase in both default rates and distress ratios. Despite this, Investcorp also expects that these conditions will provide strong opportunities for less ratings driven funds to source lower rated performing assets at attractive yields.

By comparison, the European market outlook remains relatively benign driven by continued strong positive technical factors. From the demand side, CLO issuance is expected to remain healthy with the market predicting similar levels of issuance as seen in 2019 as the market continues to mature and benefit from the increasing number of managers in the market.[22]

The major concern for the European market remains levels of new loan issuance, which, despite the positive tailwinds from the level of private equity dry powder, resolution of Brexit and supportive ECB policy, remains sensitive to the valuation expectations as well as an expected increase in the relative attractiveness of high yield bonds for sponsors

[20] S&P/LCD News Quarterly European Leveraged Lending Review: 3Q 19
[21] S&P/LCD News, Loan supply, return forecasts for 2020, M&A outlook, December 19, 2019
[22] S&P/LCD News, 2020 CLO outlook: maturing market set for a healthy year, December 18, 2019

given the low rates now available in that market. Investcorp also expects to see increased bifurcation in the performance of higher and lower rated assets as experienced in the US, as the same technical CLO pressures seen in the US transfer to Europe.

Investcorp does not expect to see a significant increase in default rates in Europe given the transition of the market to covenant-lite (as discussed above) in 2020; Credit Suisse predicts the default rate to be at 0.8% in 2020, significantly below long-term averages. However, Investcorp does expect the distress ratio (loans trading below 80c/€) to remain elevated. As such, European Managers will increasingly be rewarded for early identification and sale of potential credit underperformers. [23]

Overall, Credit Suisse predicts European leveraged loans to return, in Euro terms, 4.5% in 2020 compared to 2.3% for High Yield Cash and 0.5% for Investment Grade.[24]

Given the above analysis, Investcorp expects that 2020 will, like 2019, be characterized by periods of short-term volatility. Nevertheless, Investcorp believes that the inherently defensive characteristics of leveraged loans should help them to fare well relative to other sub-investment grade asset classes if, and when, market conditions grow more turbulent.

[23] Credit Suisse; 2020 in Pictures: Our Annual Outlook, 9 December 2019
[24] Credit Suisse; 2020 in Pictures: Our Annual Outlook, 9 December 2019

Discussion of Results

Profit for the Period

Profit for the period includes fee income from client-centric activities and asset-based income from returns generated on balance sheet assets, including unrealized changes in fair value of co-investments in Investcorp's private equity (PE'), real estate ('RE'), strategic capital ('SC') products and investment in associates and joint ventures, accrued returns on credit management ('CM') exposures and realized changes in the fair value of absolute return investments ('ARI') products.

Profit for the period of $48 million for H1 FY20 was 17% lower than profit for the period of $58 million for the prior fiscal year ('H1 FY19'), primarily driven by a write down in value of a legacy investment and fair value declines of PE investments in the US retail sector. Excluding the write down in fair value of legacy investments, net income grew by 2%. Investcorp's H1 FY20 results represent a return on equity ('ROE') of 9% and fully diluted earnings per share ('EPS') of $0.65 per ordinary share.

Income ($ millions)	H1 FY20	H1 FY19	% Change B/(W)
Fee income	172	150	15%
Asset-based income	25	49	(49%)
Write-down of legacy investments	(11)	-	n.m.
Gross operating income	**186**	**199**	**(7%)**
Provisions for impairment	(2)	(1)	(100%)
Interest expense	(16)	(26)	(38%)
Operating expenses	(116)	(111)	5%
Profit before tax	**52**	**61**	**(15%)**
Income tax expense	(4)	(3)	33%
Profit for the period	**48**	**58**	**(17%)**
Profit for the period excluding fair value change of legacy investments	**59**	**58**	**2%**
Basic earnings per ordinary share ($)	0.67	0.76	(12%)
Fully diluted earnings per ordinary share ($)	0.65	0.74	(12%)

Operating performance in terms of fee income increased by 15% to $172 million as compared to $150 million in H1 FY19. Asset-based income decreased to $25 million from $49 million in H1 FY19.

Interest expense for H1 FY20 was $16 million, down 38% from $26 million in H1 FY19 due to a decrease in the cost of funding and a more favorable funding mix. Operating expenses increased to $116 million (H1 FY19: $111 million).

Fee Income

Fee income has two components: (i) AUM fees which includes management and administrative fees on aggregate client investments under management in private equity and real estate deals, as well as fees from client investments in ARI, CM and SC; and (ii) deal fees which are generated and earned from transactional activities related to direct investments (PE, RE and special opportunities portfolios ('SOPs')),including their initial acquisition, subsequent placement and eventual exit, plus performance fees for value added during the ownership period.

Summary of fees ($ millions)	H1 FY20	H1 FY19	% Change B/(W)
ARI fees	7	4	75%
CM fees	28	24	17%
Other management fees	52	55	(5%)
AUM Fees	**87**	**83**	**5%**
Activity fees	82	58	41%
Performance fees	3	9	(67%)
Deal fees	**85**	**67**	**27%**
Fee income	**172**	**150**	**15%**

Total fee income in H1 FY20 increased by 15% to $172 million (H1 FY19: $150 million).

AUM fees were $87 million in H1 FY20, 5% higher than H1 FY19. The increase reflects a higher level of client assets under management primarily driven by increase in CM and ARI AUM.

Deal fees increased in H1 FY20 to $85 million. The increase reflects the higher placement activity in the Gulf across all asset classes and continued strong transactional activity in the real estate business.

Asset-based Income

Asset-based income is earned on Investcorp's PE, RE, CM, ARI and SC co-investments held on the balance sheet, including invested liquidity and investments in associates and joint ventures. Asset-based income includes unrealized changes in the fair value of PE and RE co-investments and investments in associates and joint ventures, accrued returns on CM exposures and realized changes in the fair value of ARI co-investments.

Gross asset-based income excluding the write down in value of a legacy investment decreased to $25 million in H1 FY20 from $49 million in H1 FY19, largely attributable to lower PE returns.

Asset-based income ($ millions)	H1 FY20	H1 FY19	% Change B/(W)
Private equity investment	(3)	15	(>100%)
Absolute return investments	1	3	(67%)
Real estate investment	15	11	36%
Credit management investment	7	12	(42%)
Investment in associates and joint ventures	1	2	(50%)
Treasury and other asset-based income	4	6	(33%)
Gross asset-based income	**25**	**49**	**(49%)**

The tables below summarize the primary drivers of asset-based income for PE, ARI, RE and CM.

PE asset-based income KPIs ($ millions) *	H1 FY20	H1 FY19	% Change B/(W)
Asset-based income	(3)	15	(>100%)
Average co-investments	398	442	(10%)
Absolute yield	(0.8%)	3.4%	(4.2%)

* Excludes fair value change of legacy investments

PE asset-based income in H1 FY20 was negatively impacted by fair value declines of private equity investments in the US retail sector.

ARI asset-based income KPIs ($ millions)	H1 FY20	H1 FY19	% Change B/(W)
Asset-based income	1	3	(67%)
Average co-investments	100	156	(36%)
Absolute yield	1.0%	1.9%	(0.9%)

Performance was lower in H1 FY20 compared to H1 FY19 primarily due to lower returns on the special opportunities portfolios.

RE asset-based income KPIs ($ millions)	H1 FY20	H1 FY19	% Change B/(W)
Asset-based income	15	11	36%
Average co-investments	381	275	39%
Absolute yield	3.9%	4.0%	(0.1%)

RE asset-based income is primarily driven by rental yields. The business has continued to provide a steady source of income for Investcorp. A higher average investment this year as compared to the same period last year has resulted in higher asset-based income for the period. A large portion of the average co-investments relates to underwriting on which Investcorp earns the rental yield during the period of underwriting.

CM asset-based income KPIs ($ millions)	H1 FY20	H1 FY19	% Change B/(W)
Asset-based income	7	12	(42%)
Average co-investments	330	283	17%
Absolute yield	2.1%	4.2%	(2.1%)

The asset-based income for the credit management business primarily represents returns on CLO co-investment exposures, which were supported by active management of the CLO funds by the credit management team. The decrease in asset-based income was primarily driven by a write down in value of certain US CLO positions during the period based on market values and do not reflect any issues or concerns with the underlying CLOs.

Treasury and other asset-based income decreased slightly to $4 million from $6 million in the same period last fiscal year due to lower liquidity deployed.

Investcorp also earned $1 million from the revaluation of its investment in an associate.

The table below shows the average yields on balance sheet co-investments for each of the last five half years by asset class.

Asset yields	H1 FY18	H2 FY18	H1 FY19	H2 FY19	H1 FY20
Private equity *	7.8%	8.1%	3.4%	3.4%	(0.8%)
Absolute return investments	3.7%	1.0%	1.9%	4.2%	1.0%
Real estate investment	3.8%	3.6%	4.0%	5.3%	3.9%
Credit management	3.1%	4.9%	4.2%	3.2%	2.1%
Average co-investment yield	4.9%	5.0%	3.5%	4.0%	1.7%

* Excludes fair value change of legacy investments

Interest Expense

Total interest expense, including commitment fees on undrawn revolving credit facilities, decreased by 38% to $16 million in H1 FY20 from $26 million in H1 FY19. The decrease was due to a lower average cost of funding on outstanding interest-bearing debt in H1 FY19 which decreased to 2.0% (H1 FY19: 3.3%), reflecting a more favourable funding mix and the lower levels of average interest rates during the current period as compared to the same period in the prior year.

Interest expense ($ millions)	H1 FY20	H1 FY19	Change H/(L)
Total interest expense	**16**	26	**(10)**
Average short-term interest-bearing liabilities	660	614	46
Average medium- and long-term interest-bearing liabilities	675	590	85
Average interest-bearing liabilities	**1,335**	**1,204**	**131**
Interest expense on funded liabilities[a]	14	20	(6)
Average cost of funding on funded liabilities	**2.0%**	**3.3%**	**(1.3%)**

(a) Does not include commitment fee and other facility costs on undrawn revolvers.

Operating Expenses

Operating expenses increased by 5% to $116 million (H1 FY19: $111 million). Staff compensation, which includes fixed and variable components, remained stable. Other expenses, comprising professional fees, travel and business development, administration and infrastructure costs and non-compensation personnel costs such as training and recruitment increased to $44 million as compared to $40 million for the same period last year, primarily driven by higher fee generating activities. The overall decrease in gross operating income contributed to an increase in the cost-to-income ratio from 65% in H1 FY19 to 69% in H1 FY20.

Operating expenses ($ millions)	H1 FY20	H1 FY19	Change H/(L)
Staff compensation	64	63	1
Other personnel costs and charges	8	8	-
Other operating expenses	44	40	4
Total operating expenses	**116**	**111**	**5**
Full time employees ('FTE') at end of period	447	402	45
Staff compensation per FTE ('000)	143	157	(9%)
Other operating expenses per FTE ('000)	98	100	(2%)
Total staff compensation / total operating expenses	55%	57%	(2%)
Cost-to-income[(a)]	69%	65%	4%

(a) Operating expenses / Net revenue. Net revenues represent gross operating income less provisions for impairment and interest expense

Balance Sheet

Key balance sheet metrics are shown in the table below.

Balance sheet metrics	Dec-19	Jun-19
Total assets	$2.7 billion	$2.4 billion
Leverage[(a)]	1.3x	1.1x
Net leverage ratio[(b)]	0.6x	0.4x
Shareholders' equity	$1.1 billion	$1.1 billion
Co-investments[(c)] / long-term capital[(d)]	0.6x	0.5x
Residual maturity – medium- and long-term facilities	67 months	73 months

(a) Calculated in accordance with bond covenants.

(b) Calculated in accordance with bank loan covenants and is net of liquidity, underwriting and deferred fees.

(c) Excludes underwriting and is net of revolving facilities secured against alternative investment solutions co-investments.

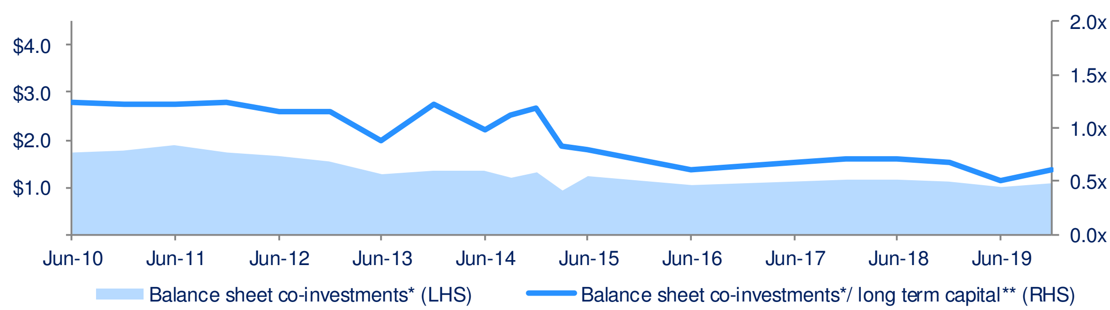
(d) JPY 37 billion debt maturing in 2030, €73 million secured financings maturing in 2030/2031, $50 million debt maturing in 2032, total equity and deferred fees

Assets

Assets ($ millions)	Dec-19	Jun-19	Change H/(L)
Cash and other liquid assets	281	390	(109)
PE, RE, ARI, and SC underwriting & CM warehousing	419	334	85
PE, RE, ARI, CM and SC co-investments	1,097	1,017	80
Investment in associates and joint ventures	61	38	23
Other (working capital and fixed assets)	810	582	228
Total assets	**2,668**	**2,361**	**307**

At December 31, 2019, total assets were $2.7 billion, 13% higher than at June 30, 2019, primarily due to higher PE and RE underwriting and co-investment exposures, and an increase in other working capital. This was partially offset by a decrease in liquid assets. The increase in working capital and underwriting is a temporary increase in line with higher fee generating activities and is expected to revert to lower levels in the near term. The level of co-investments increased by 8% to $1,097 million from $1,017 million as of June 30, 2019 primarily as a result of higher private equity exposure.

Co-investments are funded entirely by a combination of long-term and permanent sources of capital



* Excludes underwriting and is net of the amount of secured facilities (which are secured against ICM co-investments)

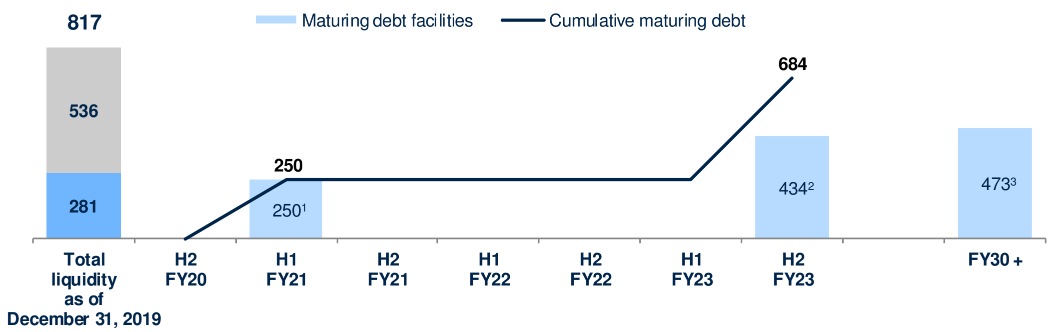
** JPY 37 billion debt maturing in 2030, €73 million secured financings maturing in 2030/2031, $50 million debt maturing in 2032, total equity and deferred fees

Investcorp focuses on maintaining a co-investment to long-term capital ratio of 1.0x or lower, such that the entire balance sheet co-investment portfolio is fully funded through permanent or quasi-permanent capital and does not rely on medium-term debt financing. As at December 31, 2019, the aggregate level of co-investments remained fully covered by permanent and long-term sources of capital.

Liquidity

Accessible liquidity, comprising short-term and revolving medium-term facilities with the addition of balance sheet cash and other liquid assets has declined across the period to $0.8 billion, largely due to temporary increases in working capital and underwriting activities. The debt maturity profile remains favorable with only a revolving credit facility of $250 million due for rollover in December 2020.

Liquidity cover ($ millions)



1 Syndicated revolving facilities

2 Syndicated revolving facilities - includes €76 million ($85 million as at December 31, 2019 exchange rates)

3 JPY 37 billion ($341 million as at December 31, 2019 exchange rates) debt maturing in FY30, €36 million ($40 million as at December 31, 2019 exchange rates) debt maturing in FY31, €37 million ($42 million as at December 31, 2019 exchange rates) debt maturing in FY32 & $50 million debt maturing in FY33

Liabilities

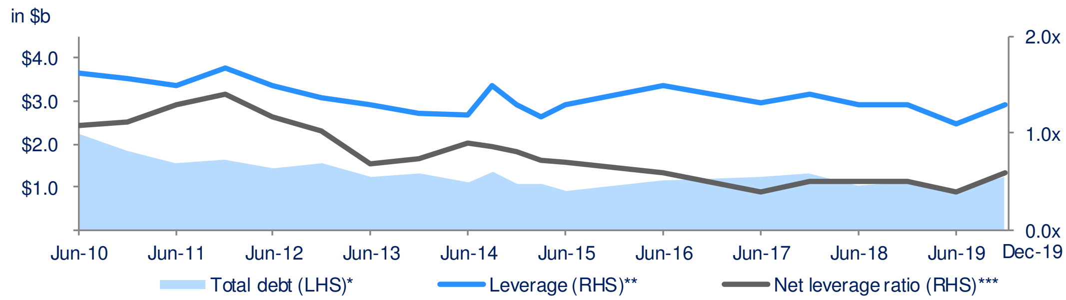
Total liabilities increased by $319 million to $1.5 billion at December 31, 2019.

Liabilities ($ millions)	Dec-19	Jun-19	Change H/(L)
Short-term financing	452	375	77
Medium and long-term debt	663	521	142
Total debt	**1,115**	**896**	**219**
Deferred fees	88	63	25
Other liabilities[(a)]	332	257	75
Total liabilities	**1,535**	**1,216**	**319**

(a) Payables and accrued expenses, negative fair value of derivatives, lease liabilities less prepaid transaction costs of borrowings.

The increase in liabilities was driven by an increase in short and medium term drawn debt balances for financing the increased working capital and underwriting.

Financial leverage



* Total debt is defined as multi-currency term and revolving loan, medium and long-term debt
** Calculated in accordance with bond covenants. Liabilities are net of transitory balances
*** Calculated in accordance with bank loan covenants, net of liquidity, underwriting and deferred fees

Leverage, as defined for financial covenants principally in Investcorp's outstanding bond and note issues, is calculated after deducting any transitory liabilities from the aggregate level of liabilities on the balance sheet and has remained low in line with Investcorp's medium-term objectives to maintain comfortable covenant headroom.

Net leverage, as defined in the four-year syndicated revolving credit facility, is calculated by deducting cash, underwriting balances and deferred fees from liabilities.

Credit Ratings

Investcorp held its annual rating review with both Fitch and Moody's in September and October 2019. Fitch Ratings re-affirmed Investcorp's credit ratings at BB and revised the outlook to 'Positive' from 'Stable'. "The Outlook revision reflects the Firm's significant progress executing on its strategic initiatives, including continued AUM growth, institutionalizing its investor base, balance sheet de-risking and expanding its offering of committed capital fund structures, which is expected to increase the scalability of the Firm's business model and the stability of its management fees. The rating affirmation reflects the Firm's strong client franchise and high degree of brand name recognition in the Gulf, supported by its investment track record and long-term relationships in the region."

Moody's reaffirmed the Ba2 rating and 'Stable' outlook. "This reflects the Firm's solid market position in the GCC region as a leading alternative investment provider, its global franchise, healthy operating margins and good asset retention. The rating incorporates the company's adequate liquidity profile and the ongoing improvement in earnings quality due to the growth in more stable and predictable asset management fees."

Agency	Rating grade	Comment
Fitch Ratings	BB / Positive Outlook	Rating confirmed and outlook revised to 'Positive' in October 2019
Moody's Investor Service	Ba2 / Stable Outlook	Rating and outlook confirmed in October 2019

Equity

Equity ($ millions)	Dec-19	Jun-19	Change H/(L)
Ordinary shareholders' equity	1,012	987	25
Preference share capital	123	123	-
Proposed appropriations	-	38	(38)
Other reserves	(3)	(3)	-
Non-controlling interests	1	-	1
Net book equity	**1,133**	**1,145**	**(12)**

Net equity at December 31, 2019 was $1.1 billion. The 1% decrease from June 30, 2019 is primarily due to an increase in Treasury shares holdings to $90 million from $74 million and dividend distributions, which was partially offset by the income generated during H1 FY20.

Portfolio Activity

Private Equity

Investcorp targets the acquisition of attractive private equity opportunities in North America, Europe, Asia, the Gulf region, and Turkey. In addition, it continues to support its existing portfolio companies to increase their market share and expand their operational footprint through selected add-on acquisitions. The Firm seeks private equity investments that it believes offer its investors an attractive return profile, driven by proactive value creation initiatives, including revenue growth through expansion in new territories, business efficiency improvements and the strengthening of management teams.

The aggregate capital deployed in private equity investments during H1 FY20 was $416 million. $228 million was deployed in two new deal-by-deal investments, $42 million was invested through Investcorp's Technology Fund IV in one new and two add-on investments, $55 million was invested through or alongside Investcorp's India Consumer Growth Portfolio in three new investments, a strategic investment of $7 million was made in a third-party technology-focused fund in the US and $84 million of additional capital was invested in five existing investments.

New acquisitions

Contentserv

A leading provider of Product Information Management software

Date of Investment	**August 2019**
Investors	**Investcorp Technology Partners IV**
Industry Sector	**Technology – Big data**
Headquarters	**Ermatingen, Switzerland**

Vivaticket

A leading global provider of integrated ticketing software solutions

Date of Investment	**September 2019**
Investors	**Deal-by-deal**
Industry Sector	**Business services**
Headquarters	**Bologna, Italy**

Bewakoof Brands Private Limited

One of the leading direct to consumer online apparel companies in India

Date of Investment	**October 2019**
Investors	**India Consumer Growth Portfolio**
Industry Sector	**Consumer & retail**
Headquarters	**Mumbai, India**

Intergrow Brands Private Limited

A group company of Synthite

Date of Investment	**October 2019**
Investors	**India Consumer Growth Portfolio**
Industry Sector	**Packaged Foods**
Headquarters	**Kerala, India**

Nephrocare Health Services Private Limited

The leading dialysis service provider in India

Date of Investment	**November 2019**
Investors	**Deal-by-deal** **India Consumer Growth Portfolio**
Industry Sector	**Healthcare**
Headquarters	**Hyderabad, India**

In August 2019, Investcorp's Technology Partners announced its acquisition of a majority stake in **Contentserv**, a leading provider of Product Information Management ("PIM") software, for an undisclosed consideration. The acquisition is the sixth deal from its $400 million Fourth Technology Fund and the second acquisition of a software company in the DACH (Germany-Austria-Switzerland) region within a year. Swiss headquartered Contentserv was founded in 2012 and has grown to become a global market leader in PIM software, as recognized by its top-tier vendor rankings from both Gartner and Forrester. Contentserv's PIM software suite allows customers to centrally store and manage detailed product-related information for distribution across multiple online and offline channels - thereby enabling companies to improve data quality and consistency and delivering a more compelling product experience (resulting in higher revenue conversion) to its end-customers in an increasingly complex ecommerce driven world.

In September 2019, Investcorp's private equity team in Europe ("PE Europe") completed the acquisition of **Vivaticket** from co-founders Luca Montebugnoli and Luana Sabattini, and other investors. Established in 1999, Vivaticket is a leading global provider of integrated ticketing software solutions to the leisure and entertainment, sport, culture and tradeshow industries. The company's software solutions are widely recognized for their sophistication, reliability, and ability to address the full customer experience from ticket purchasing to on-site activities. Vivaticket has an extensive global presence with approximately 2,200 clients spanning over 40 countries, including some of the world's leading brands such as Walt Disney World, Musée du Louvre and FC Barcelona, amongst others. Headquartered in Bologna, Italy, the company employs approximately 450 people and has established operations in 10 countries across Europe, the Middle East, North America, Latin America and Asia Pacific. Vivaticket's co-founders and management team will continue to remain involved in the business and hold a meaningful stake in the company.

In October 2019, Investcorp's private equity team in India ("PE India") led a $11.2 million investment in **Bewakoof Brands Private Limited** ('Bewakoof.com'). Founded in 2011 by Prabhkiran Singh and Siddharth Munot, Bewakoof.com is one of the leading direct to consumer online apparel companies in India focused on providing creative and distinctive fashion at affordable prices for trendy and contemporary Indians. Since inception, Bewakoof.com has created fashion which resonates with millennials across India and has been widely recognized for its unique designs. In a short period of time, it has created a robust brand offering by building strong capabilities in design, supply chain and a high engagement digital customer platform. This has led to delivering sales of more than 650,000 products per month with a customer base of over 4 million, often making repeat purchases.

Also in October 2019, PE India announced an investment of $11.3 million in **Intergrow Brands Private Limited** ('Intergrow'), a group company of Synthite. Synthite is the world's largest producer of value-added spices with operations in India, US and China. Its customers include global food, nutraceutical, cosmetic and pharmaceutical companies in Europe and USA. Launched in 2014, Intergrow is the domestic business-to-consumer ('B2C') foray of Synthinite. It has strong food product innovation capabilities and offers an array of products ranging from mass-market packaged spices, marinades, sauces and seasonings to premium gourmet food and green tea. Over the years, Intergrow has grown to become the second largest player in Kerala's packaged spices market under the "Kitchen Treasures" brand. Intergrow's gourmet food products and green tea are available across India and exported to the Middle East.

In November 2019, PE India closed an INR 3.2 billion (approximately $45 million) investment in **Nephrocare Health Services Private Limited** ('NephroPlus'). Founded in 2010 by Vikram Vuppala and Kamal D Shah, NephroPlus is the leading dialysis service provider in India. NephroPlus has the largest network of dialysis centers in India that is over four times larger than the second largest player, leading the industry with over 140,000 dialysis sessions per month in 196 centers across more than 115 cities. NephroPlus has a strong focus on patient-centric care where each patient is treated as a "guest." NephroPlus is a pioneer in managing dialysis departments of hospitals via long term outsourcing contracts. Over the last five years, it has become a strategic dialysis partner of choice for almost all the top hospitals in India including Max, Medanta, FMRI and 180 other reputed hospitals across the cities it operates in. It also acquired DaVita's India business late last year, with full integration completed earlier this year.

The acquisition of another US-based company has closed and will be announced in February.

Other private equity activity

Investcorp provides support funding to its portfolio companies from time to time to help the companies stabilize and grow their businesses.

August 2019:	PE-Technology portfolio company, **Ageras**, received €13 million of additional funding to support the acquisition of Billy, an accountancy software solution based in Denmark with 100% subscription revenue. Founded in 2012, Ageras is a fast-growing online marketplace matching SMEs and micro-businesses with professional services providers such as accountants and lawyers.
December 2019:	Investcorp acquired an additional 1.8% stake in PE MENA portfolio company **Namet** and increased its ownership to 39.2%. Namet is the largest producer of fresh cut and processed branded meat products in Turkey.

December 2019: PE Europe portfolio company, **Acura,** received additional funding to acquire further dental clinics increasing the number of clinics closed to approximately 30. Acura is a leading dental clinics platform executing a buy-and-build strategy in the German dental services market.

December 2019: PE Europe portfolio company, **Corneliani**, received an initial advance of €2.0 million as part of the ongoing negotiations with its banking group regarding its loan repayment.

December 2019 - PE North America portfolio company, **TPx Communications**, received additional funding to support the business through the closing of its sale to Siris Capital. Investcorp signed a sale agreement with Siris Capital in August 2019, which is anticipated to close in early 2020, subject to regulatory approvals and other customary closing conditions. TPx Communications is a national provider of managed services including unified communications, managed security, managed IT services and network connectivity solutions.

Other add-on investments are summarized below. No additional equity from Investcorp or its investors was required for these investments.

July 2019: PE North America portfolio company, **United Talent Agency** ('UTA)', announced that it had acquired a 55% stake in Klutch Sports Group ('KSG'), a leading basketball agency with a high quality, star-driven roster including LeBron James, Anthony Davis, Ben Simmons and Draymond Green. KSG will provide a strong brand and marquee agent upon which to build a broader UTA sports agency as well as significant incremental revenue opportunities by leveraging KSG's roster in other UTA areas such as marketing, endorsements, speaking and acting.

September 2019: PE North America portfolio company, **Health Plus Management** ('HPM'), announced the addition of five facilities to its rapidly expanding network of practices under management. HPM now supports and provides administrative solutions to more than 40 physician-owned facilities specializing in physical therapy, physiatry and pain management throughout New York and New Jersey.

September 2019: PE Europe portfolio company, **Kee Safety,** closed the acquisition of 100% of the equity of Highwire Safety, a Manchester (UK) based specialist for fall protection. Their product range covers; personal and collective fall protection installation, recertification, lightning protection, and safe access walkways.

November 2019: **Health Plus Management** expanded its network with the addition of South Island Orthopedics, a practice in Long Island, New York that was previously affiliated with the Mount Sinai Health System. The transaction marks HPM's expansion into the orthopedic specialty by adding a practice with more than 50-years of experience in general orthopedics, orthopedic surgery and sports medicine.

December 2019: PE Europe portfolio company, **Kee Safety**, concluded its fifth add-on acquisition in 2019 with the completion of Oxford Safety Components. The Bicester (Oxfordshire / UK) based company adds to Kee Safety's Safe Access capability with a range of safety solutions including; Stairwell Platforms, Fragile Roofing Systems and Trellis Systems for safe working at height.

Recent realizations

Total private equity realization proceeds and other distributions to Investcorp and its clients were $352 million in H1 FY20.

SecureLink

A leading cybersecurity infrastructure and managed services provider

Date of Investment	**December 2015**
Date of Realization	**July 2019**
Investors	**Deal-by-deal**
Industry Sector	**Technology – Security**

In July, Investcorp completed the sale of **SecureLink Group** ('SecureLink') one of the largest dedicated cybersecurity infrastructure and managed services providers in Europe, to global telecoms group Orange. Investcorp first acquired SecureLink, a leading player in the Benelux region, in December 2015 with a view to consolidating the highly attractive but fragmented European cybersecurity market. Over the last three years, SecureLink has experienced strong organic growth, added leading providers in Scandinavia, the UK and Germany to its platform and expanded in China. Investcorp, in partnership with management and founders of the Company, has successfully executed a targeted buy-and-build strategy and transformed SecureLink from a regional leader to a leading pan-European provider of cybersecurity services.

In August, Investcorp agreed the sale of **TPx Communications** ('TPx') (formerly TelePacific) to affiliates of Siris, a leading private equity firm focused on investing and driving value creation in technology and telecommunications companies. TPx is a provider of network and communications services headquartered in Los Angeles. In business since 1998, TPx today provides an award-winning product line that includes unified communications, managed security, managed WAN, other managed IT services and network connectivity solutions. Serving approximately 30,000 business, government and not-for-profit customers with more than 50,000 locations across the US, TPx designs and delivers the comprehensive, performance guaranteed solutions that enable customers to effectively grow and manage their enterprises. The transaction is expected to close by Q4 FY2020, subject to the satisfaction of regulatory approvals and other customary closing conditions.

In December, Investcorp signed a definitive agreement to sell the 22.5% stake it owns in **Tiryaki Agro** to Tiryaki Holding. Following regulatory approvals closing is expected to take place in H1 2020. Tiryaki Agro is the leading supply manager of organic and conventional agro commodities in the US, Europe and the Middle East.

Other private equity news

August 2019: PE North America portfolio company, **Sur La Table,** appointed Jason Goldberger as CEO and a member of the Board of Directors. Most recently, Mr. Goldberger was with Blue Nile, the largest online seller of diamond jewelry in the world, where he served as President, Chief Executive Officer and as a member of the Board of Directors, since 2017.

September 2019: PE Europe portfolio company, **Cambio**, successfully placed a Senior Secured Nordic bond on the Stockholm Stock Exchange with one of the lowest spreads ever seen for a private equity-backed company in the Nordic High Yield bond market. This instrument provides the company with enhanced operational flexibility and the ability to tap into a larger liquidity pool to support further organic and inorganic growth.

September 2019: PE Europe portfolio company, **Agromillora**, successfully completed its refinancing at attractive market conditions. The proceeds from the transaction were used to refinance existing bank loans and preserve cash on the balance sheet for corporate purposes.

September 2019: PE Europe portfolio company, **POC,** teamed up with twICEme, a Swedish start-up, to create a helmet that stores the user's medical data and can transmit it to first responders in case of a crash. The whole system works through an app that POC has developed to go alongside the helmet. Data is uploaded to the app including information such as blood type, allergies, existing conditions and organ donor status and then transferred into a chip in the helmet. First responders will then be able to scan the helmet using their own app and receive all data on their mobile phone.

September 2019: PE Europe portfolio company, **Dainese**, continues its retail store opening activities with store openings in Las Vegas (September 2019) and Dallas (November 2019). The innovative retail concept of the store creates a journey through Moto GP history with memorabilia, including one of Valentino Rossi's suits, all surrounded by the world's most advanced protective apparel. Offerings include a wide selection of Dainese D-Air products and the experience of the Dainese Custom Works program with full personalization including colors, logos and more.

September 2019: PE Europe portfolio company, **POC**, launched its first collaboration with Prada with a limited launch of a new product for Prada's snow collection. The collaboration sees POC's Skull Orbic X Spin sporting the famous Prada stripe and was central to window displays featuring Prada snow collection in Q4 2019. This limited edition of just 200 units is the first collaboration with Prada and seeks to raise POC's awareness among Prada clientele.

September 2019: PE Europe portfolio company, **Georg Jensen**, and Philips announced their second collaboration. Philips initially partnered with the Danish silversmith last year to produce a TV set, and now the collaboration has been expanded to include four new devices: Two Bluetooth speakers, a power bank, and true wireless headphones. These devices feature beautiful designs and innovative technology and are expected to be in stores in Q1 2020 in Europe and several Asian territories.

November 2019: PE-Technology portfolio company, **OpSec Security** and Clarivate Analytics announced the signing of a definite agreement for OpSec Security to acquire the MarkMonitor™ brand protection business from Clarivate. As a result of the acquisition, OpSec will combine its own offerings with MarkMonitor's online Brand Protection, AntiPiracy and AntiFraud solutions, creating a unique and industry leading value proposition for customers worldwide. For decades, both companies have been at the forefront of managing brand protection programs for some of the most sophisticated global brands, having defined recognized 'best practices' for the industry. By combining their expertise and industry leading technologies, customers will have access to an integrated end-to-end solution to protect revenue streams, product integrity and brand reputation in a more holistic and streamlined manner. The transaction successfully closed in January 2020

December 2019: PE-Technology portfolio company, **Calligo** acquired Dublin-based IT Managed Services Provider ("MSP") DC Networks. DC Networks specialises in IT support, telecommunications and networking and managed Microsoft Azure services, and is one of the most well-respected MSPs in the region. The purchase of DC Networks is another significant step in Calligo's continued global growth strategy and marks the company's entrance into the Irish market. The transaction successfully closed in January 2020.

Real Estate

New acquisitions

The aggregate equity deployed in new real estate investments in H1 FY20 was $583 million.

2019 US Industrial & Logistics Portfolio

Shari'ah compliant equity ownership interests in ten industrial properties in the Charlotte Metro, North Carolina, 51 industrial properties in Chicago Metro, Illinois and 15 industrial properties in Dallas Metro, Texas.

Number of properties	**76**

UK Industrial & Logistics III Portfolio

Shari'ah compliant equity ownership interests in ten single-tenanted industrial and logistics properties. One property is located in each of the following locations; St Helens*, Uddingston*, Blantyre*, Manchester*, and Birmingham*, two properties in Leeds** and three properties in Livingston*.

* Signed and purchased in FY18 and FY19

** One property signed and purchased in FY19, one in H1 FY20

Number of properties	**10**

In addition, three residential, fifty industrial, and three office properties were acquired in the US and Europe. These properties will form part of four new portfolios and a fund which are expected to be offered to clients in H2 FY20.

Recent realizations

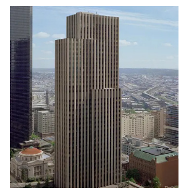
Total real estate realization proceeds and other distributions to Investcorp and its clients were $498 million in H1 FY20.

Five portfolios were fully realized in the first half of FY20 with the sale of Cheshire from **Diversified VII Portfolio**, the sale of **901 Fifth Avenue** (single asset portfolio), the sale of Bel Air Las Colinas from **2015 Residential II Portfolio**, the sale of Tower Plaza from **2015 Office and Industrial Portfolio**, and the sale of Arapahoe & Inverness from **Boston & Denver Commercial Portfolio**.

A complete list of real estate properties realized in H1 FY20 can be found below.

901 Fifth Avenue

A 541,000 square foot office building



Date of Investment	**June 2016**
Date of Realization	**July 2019**
Portfolio Name	**901 Fifth Avenue**
Location	**Seattle, Washington**

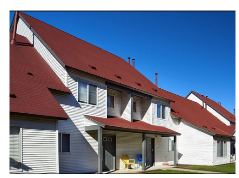
Hampshire Hill

A 534-unit multifamily property

Date of Investment	**February 2016**
Date of Realization	**July 2019**
Portfolio Name	**Boca Raton & Minneapolis Residential Portfolio**
Location	**Minneapolis, Minnesota**

Southwind Village

A 320-unit multifamily property



Date of Investment	**February 2016**
Date of Realization	**July 2019**
Portfolio Name	**Boca Raton & Minneapolis Residential Portfolio**
Location	**Minneapolis, Minnesota**

Bel Air Las Colinas

A 515-unit multifamily property

Date of Investment	**August 2015**
Date of Realization	**August 2019**
Portfolio Name	**2015 Residential Properties II Portfolio**
Location	**Dallas, Texas**

Raleigh Multifamily Portfolio

A three property, 830-unit multifamily portfolio

Date of Investment	**September 2016**
Date of Realization	**September 2019**
Portfolio Name	**2016 Residential Properties Portfolio**
Location	**Raleigh, North Carolina**

Arbors of Brentwood

A 346-unit multifamily property

Date of Investment	**August 2016**
Date of Realization	**September 2019**
Portfolio Name	**2016 Residential Properties Portfolio**
Location	**Nashville, Tennessee**

Raleigh Student Housing Portfolio

A three property, 890-bed student housing portfolio

Date of Investment	**May/June 2016**
Date of Realization	**September 2019**
Portfolio Name	**2016 Residential Properties Portfolio**
Location	**Raleigh, North Carolina**

Boston Metro Industrial Portfolio

Four industrial properties totaling 899,695 square foot

Date of Investment	**October 2016**
Date of Realization	**October 2019**
Portfolio Name	**Boston & Denver Commercial Portfolio**
Location	**Boston, Massachusetts**

Centerpoint I & II

A two-building office complex totaling 372,989 square foot

Date of Investment	**June 2016**
Date of Realization	**October 2019**
Portfolio Name	**Boston & Denver Commercial Portfolio**
Location	**Denver, Colorado**

Cheshire

A 527,000 square foot industrial warehouse

Date of Investment	**December 2006**
Date of Realization	**November 2019**
Portfolio Name	**US Diversified Properties VII Portfolio**
Location	**Cheshire, Connecticut**

Arapahoe & Inverness

A 10-property, 484,737 square foot office portfolio

Date of Investment	**May 2016**
Date of Realization	**December 2019**
Portfolio Name	**Boston & Denver Commercial Portfolio**
Location	**Denver, Colorado**

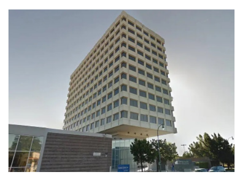
4050 Lofts

A 722-bed student housing property

Date of Investment	**June 2016**
Date of Realization	**December 2019**
Portfolio Name	**2016 Residential Properties Portfolio**
Location	**Tampa, Florida**

Tower Plaza

A 206,851 square foot office complex



Date of Investment	**September 2015**
Date of Realization	**December 2019**
Portfolio Name	**2015 Office & Industrial Properties Portfolio**
Location	**San Mateo, California**

Absolute Return Investments

In H1 FY20, Investcorp partnered with HC Technologies to launch a new Macro systematic, multi-PM Offering. The fund launched on 1st October 2019 with AUM of $67 million. HC Technologies is a highly profitable and experienced proprietary trading firm operating since 2007, specializing in Algorithmic Trading, FX and futures markets. HC Technologies was founded by Joseph Niciforo, a former partner at Tudor Investment Corporation and a board member for the Chicago Board of Trade and later the CME Group. The Fund is targeting 10%+ net returns with low volatility and correlation to broad markets.

On the back of the success of SOP V (NPL Fund I), the Team launched SOP IX (NPL Fund II), the second vintage Italian Distressed Loan Fund II. The Fund invests in non-performing loans ("NPLs") secured by residential and commercial real estate in Italy. The Milan-based investment team sources NPLs with attractive collateral from regional banks using a wide network of local experts and acquires the loans at significant discounts. The Fund has commitments of approximately $366 million.

Additionally, in coordination with Nut Tree Capital, an existing hedge fund partnership, Investcorp is in the process of securing commitments for an opportunistic drawdown fund that will launch in early calendar year 2020. The drawdown fund seeks to generate attractive risk adjusted returns, primarily in distressed and deeply stressed corporate credit markets. The fund provides an opportunity to supplement credit exposure during market dislocations and employs a disciplined, high-conviction fundamental approach. The offering size will be limited to $300–$500 million, which will ensure ability to efficiently cover smaller mid-market credit opportunities and have negligible impact on the master fund when the distressed market is scarce and avoid forcing a return of capital after dislocation. The fund has commitments of approximately $40 million.

Strategic Capital Investments

Investcorp seeks to acquire minority interests in alternative asset managers, particularly GPs who manage longer duration, private capital strategies (e.g., private equity, private credit, real estate, etc.) with a focus on those with strong track records, exceptional teams, and attractive growth prospects. Targets are typically well-established, mid-sized alternative asset managers who have the resources and infrastructure to attract top talent, retain large, sophisticated investors, and build a lasting business.

In H1 FY20, Investcorp deployed $62 million to acquire a minority interest in one of the leading diversified private capital managers with over $10 billion in AUM across four strategies including the flagship private equity fund. This is the first investment in the Investcorp Strategic Capital Partners Fund.

Credit Management

The aggregate amount of investments during H1 FY20 related to the issuance of new CLOs amounted to $790 million. This included the amounts invested in the new European CLO, Harvest XXII CLO, which closed in September 2019 and the new US CLO, Jamestown XIV CLO, which closed in November 2019. It also includes warehousing for one new European CLO which is expected to close in H2 FY20.

The European team worked on one reset during this period. Harvest XVII CLO (originally priced in July 2016) was reset in November 2019. This activity is not only beneficial to the investors as it extends the maturity of their investments and continuing yield but is also beneficial to the business as a reset effectively allows the CLO manager to extend the lives of the deals, thereby extending the period over which management fees will be generated. The US team worked on one refinancing during this period to reduce funding costs. Jamestown IX CLO refinanced all tranches in August 2019. Both refinancings and resets typically provide additional returns to equity investors.

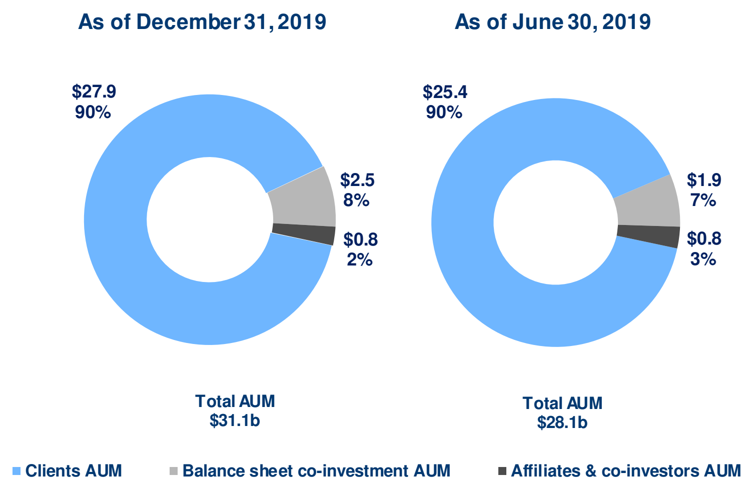
Total credit management realization proceeds and other distributions to Investcorp and its clients amounted to $439 million over the period.

AUM & Fundraising

Assets under management ('AUM') [1] [2]

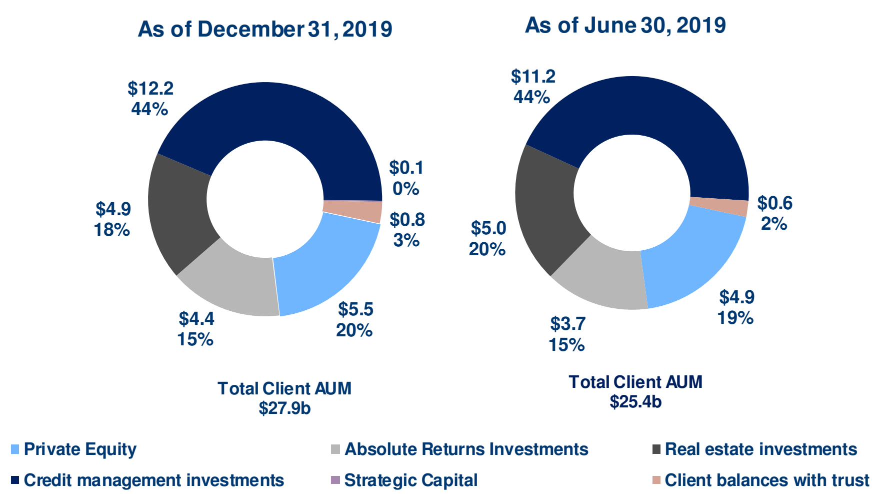
Please refer to the table in Note 3 of the Consolidated Financial Statements of Investcorp Holdings B.S.C., which summarizes total assets under management in each of the reporting segments.

Total assets under management ($ billions)



Total AUM increased to $31.1 billion at December 31, 2019 from $28.1 billion at June 30, 2019. The increase was largely attributable to organic initiatives, demonstrating strong global demand for the offerings with investors seeking increased exposure to alternative assets

Total client assets under management ($ billions)



Total client AUM increased to $27.9 billion at December 31, 2019 from $25.4 billion at June 30, 2019.

[1] Includes $3.0 billion (June 30, 2019: $2.9 billion) of hedge fund partnerships (including exposure through multi-manager solutions) managed by third party managers and assets subject to a non-discretionary advisory mandate where Investcorp receives fees calculated on the basis of AUM.
[2] Real estate investments AUM is stated at gross asset value.

The most dominate asset class in client AUM continues to be credit management with 44% of the total. The increase in total client AUM in H1 FY20 is largely attributable to the 9% increase in credit management client AUM from $11.2 billion to $12.2 billion, due to the successful launch of two new CLO's and the acquisition of CM Investment Partners which manages business development companies ('BDCs') that invests in the debt of U.S. middle-market companies. Absolute return investments client AUM increased by 18% to $4.4 billion primarily due to strong fundraising for the Firm's hedge funds partnership platform particularly for Nut Tree Capital Management and for Italian NPL Opportunities Fund II which forms part of the Firm's special opportunities portfolios. Private equity client AUM increased from $4.9 billion to $5.5 billion largely due to strong fundraising for the Firm's deal-by-deal investment offerings and securing new commitments into institutional investor programs. Real estate client AUM remained stable at $4.9 billion.

Private equity investments ($ millions)	**Dec-19**	**Jun-19**	**% Change B/(W)**
Client AUM			
Closed-end funds	2,592	2,217	17%
Deal-by-deal investments	2,732	2,544	7%
Special opportunity portfolio	181	181	0%
Total client AUM – at period end	**5,506**	**4,942**	**11%**
Average client AUM	5,224	4,394	19%

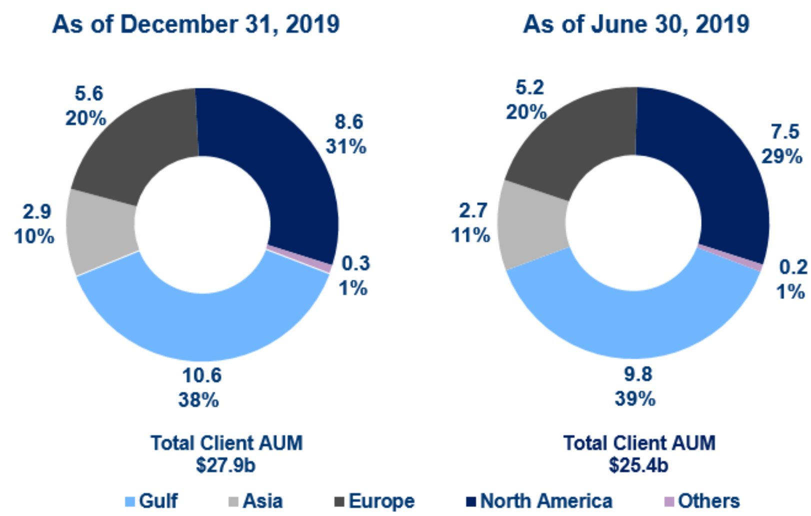
Real estate investments ($ millions)	**Dec-19**	**Jun-19**	**% Change B/(W)**
Client AUM			
Closed-end funds (Mezzanine/debt)	190	134	42%
Deal-by-deal investments	4,756	4,820	(1%)
Total client AUM – at period end	**4,946**	**4,954**	0%
Average client AUM	4,950	4,807	3%

Credit management investments ($ millions)	**Dec-19**	**Jun-19**	**% Change B/(W)**
Client AUM			
Closed-ended funds	11,880	10,975	8%
Open-ended funds	337	258	31%
Total client AUM – at period end	**12,217**	**11,233**	9%
Average total client AUM	11,725	11,180	5%

Absolute returns investments ($ millions)	**Dec-19**	**Jun-19**	**% Change B/(W)**
Client AUM			
Multi-manager solutions	1,669	1,605	4%
Hedge funds partnerships	2,227	1,949	14%
Special opportunities portfolios	441	96	>100%
Alternative Risk Premia	25	38	(35%)
Total client AUM – at period end	**4,362**	**3,687**	18%
Average total client AUM	4,025	3,610	11%

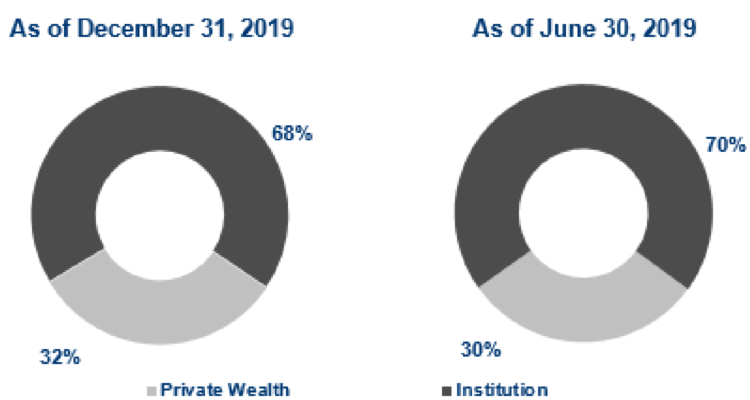
Strategic capital investments ($ millions)	Dec-19	Jun-19	% Change B/(W)
Client AUM			
Closed-ended funds	24	-	n.m.
Deal-by-deal investments	28	-	n.m.
Total client AUM – at period end	**51**	**-**	n.m.
Average total client AUM	26	-	n.m.

Regional split of clients' assets under management ($ billions)



During H1 FY20, client AUM has grown consistently across the various regions. As at December 31, 2019, 62% of the Firm's client assets under management are from outside the Gulf region, broadly in line with June 30, 2019.

Composition of clients' assets under management by client type



The composition of client AUM across institutional and private wealth clients have remained relatively stable.

The below table details credit management AUM by vintage year. Performance information consists of the cash returned to equity holders to date by vintage year.

Fund Name[3]	Cash returned to equity to date %[1]	Total AUM Dec-19	Investcorp AUM Dec-19
FY 2014	89.18%	772	27
FY 2015	81.14%	1,370	51
FY 2016	58.97%	1,384	57
FY 2017	38.27%	984	42
FY 2018	26.01%	897	44
FY 2019	9.55%	897	45
FY 2020	0.00%	506	0
European CLO Funds		**6,811**	**266**
FY 2013	101.33%	340	0
FY 2014	71.46%	284	0
FY 2015	19.35%	745	0
FY 2016	57.98%	972	0
FY 2017	44.51%	656	17
FY 2018	22.67%	991	10
FY 2019	7.34%	445	14
FY 2020	0.00%	398	40
US CLO Funds		**4,831**	**82**
CLO under construction		199	0
Other Funds[2]		971	47
Other		**1,170**	**47**
Total		**12,812**	**395**

[1] % of equity cash distribution over par value of equity at launch

[2] Other funds include Global Income Fund, European Middle Market Fund, CM Finance Inc and Risk Retention Fund

[3] Fiscal year groupings are based on the closing date of a CLO

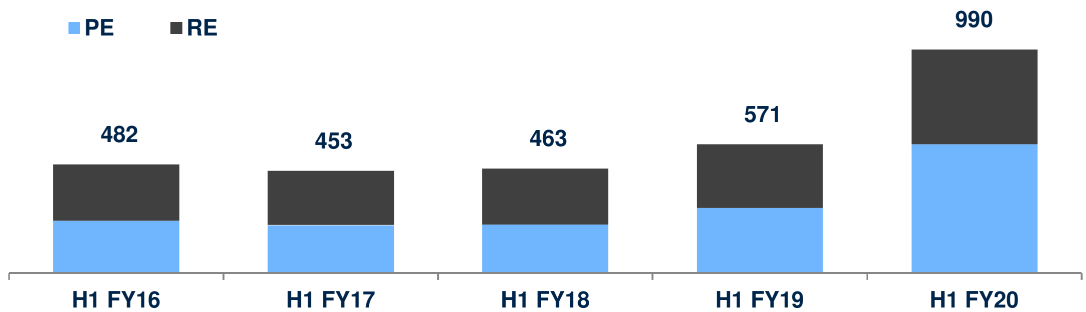
Fundraising

During H1 FY20, fundraising in Investcorp's core markets was strong, despite the challenging macro-economic and political conditions. The strength in fundraising was driven by continued client appetite for attractive alternative investments, the diversification of Investcorp's distribution capabilities to markets outside of the Gulf and the launch of new products and asset classes. Total deal-by-deal fundraising including new commitments into institutional investor programs increased by 73% to $990 million in H1 FY20 as compared to $571 million in H1 FY19.

Total private equity deal-by-deal fundraising was up 97% to $571 million in H1 FY20 from $290 million in H1 FY19. Private equity deal-by-deal fundraising includes the placement of Vivaticket, a leading global provider of ticketing software solutions, the placement of Acura, a leading dental services chain in Germany, and placement of NephroPlus, the leading dialysis service provider in India. It also includes new commitments into institutional investor programs.

Total real estate deal-by-deal fundraising across three new portfolios and three portfolios carried over from the previous year increased by 49% to $419 million in H1 FY20 from $281 million in H1 FY19.

Total deal-by-deal fundraising ($ millions)



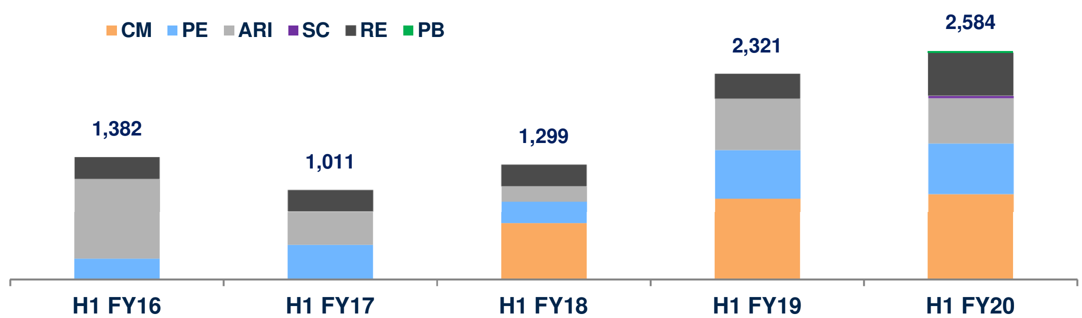
Fundraising in credit management totaled $967 million in H1 FY20. A total of $818 million was raised from the issuance of two new CLOs. New subscriptions into ICM Global Floating Rate Income Fund, totaled $121 million. An additional $28 million was raised from clients for the European risk retention fund for CLO's which was launched in FY19.

Total new subscriptions for ARI products in H1 FY20 amounted to $512 million. A total of $402 million was raised for the hedge funds partnerships platform, and $110m for special opportunities portfolios.

Fundraising in H1 FY20 continued for Investcorp Strategic Capital Partners Fund. An additional $24 million in new commitments was made during the first half of FY20. Investcorp Strategic Capital Partner's Fund was established to acquire minority equity stakes in the general partners of established, mid-sized alternative asset managers, including private equity, private debt, real estate, venture capital and hedge fund managers.

Fundraising in H1 FY20 includes $26 million raised by Investcorp for Banque Pâris Bertrand private banking products.

Total fundraising – by product line ($ millions)



Private Equity Portfolio Listing

As of December 31, 2019, Investcorp's aggregate balance sheet co-investment amount in private equity investments was $492 million invested across 44 portfolio companies and two special opportunity investments. The below sections provide an overview of these portfolio companies and investments.

PE North America

As of December 31, 2019, Investcorp's aggregate balance sheet co-investment amount in private equity investments in North America was $237 million invested across eleven companies.

Portfolio Company Name	Revature
Acquired	February 2019
Industry Sector	Business services – Technology enabled services
Headquarters	Virginia, US

Revature is a technology talent development company providing a turn-key talent acquisition solution for corporate and government partners and no-cost coding immersion programs for university graduates. Revature recruits, develops and deploys enterprise-ready technology talent, enabling its corporate partners to succeed and grow. Through in-person, online and on-campus coding immersion programs, Revature creates a pathway for university graduates with diverse backgrounds to build the knowledge, skills and abilities to reach their potential as technology professionals. With its unique talent development strategy, Revature successfully serves a wide range of Fortune 500 enterprises, government organizations and top systems integrators.

www.revature.com

Portfolio Company Name	Health Plus Management
Acquired	January 2019
Industry Sector	Business services – Healthcare
Headquarters	New York, US

Health Plus Management ('Health Plus') is a market leader in clinical practice management in the physical medicine and rehabilitation market. Health Plus provides independent physician practices with business development, marketing and back-office support typically seen in much larger organizations, enabling its clients to start up and/or grow their private practice beyond what might otherwise be feasible while maximizing clinical service and patient care. Health Plus is based in Long Island, NY and employs approximately 250 dedicated team members.

www.healthplusmgmt.com

Portfolio Company Name	United Talent Agency
Acquired	August 2018
Industry Sector	Business services – Media
Headquarters	California, US

United Talent Agency ('UTA') is the 3rd largest talent agency in the world representing many of the world's most acclaimed figures in many current and emerging areas of entertainment and media, including motion pictures, television, music, digital, broadcast news, books, theatre, video games, fine art and live entertainment. UTA has offices in Los Angeles, New York, London, Nashville, Miami, and Malmo, Sweden.

www.unitedtalent.com

Portfolio Company Name	ICR
Acquired	March 2018
Industry Sector	Business services – Data & information services
Headquarters	Connecticut, US

ICR is a leading strategic communications and advisory firm. ICR helps companies manage credibility and reputational risk to optimize shareholder value. ICR specializes in investor relations, public relations, crisis and special situations communications, digital branding, social media management, and capital advisory solutions. The firm works with more than 550 clients across its six offices in the US and China.

www.icrinc.com

Portfolio Company Name	KS Group
Acquired	March 2018
Industry Sector	Industrial services – Supply chain services
Headquarters	New Jersey, US

KS Group is a value-added, industry-leading distributor of quality replacement auto body parts servicing over 10,000 collision repair shop customers across 25 locations in 14 states. The company provides automotive aftermarket body parts across several product categories, including headlights, front / rear bumper covers, fenders, hoods, tail lights, grills, radiators, and mirrors.

www.ksiautoparts.com

Portfolio Company Name	AlixPartners
Acquired	January 2017
Industry Sector	Business services – Knowledge & professional services
Headquarters	New York, US

AlixPartners is a leading global business advisory firm that specializes in creating value and restoring the performance of businesses around the world. Headquartered in New York City and founded in 1981 by Jay Alix to handle the turnaround of Electrical Specialties Company, it was a pioneer in providing consulting services to companies in or near bankruptcy. Over time, AlixPartners has expanded its capabilities and currently offers six different types of services across a wide range of industries and geographies: Technology & Digital Services; Investigations, Disputes & Risk Services; Mergers & Acquisitions Services; Organizational & Transformative Leadership Services; Performance Improvement Services; and Turnaround & Restructuring Services. The company has nine locations in the US and 15 other locations around the globe including in South America, Europe, the Middle East and Asia. AlixPartners has over 1,600 employees, approximately 1,150 of whom are professionals, and over 170 Managing Directors.

www.alixpartners.com

Portfolio Company Name	Arrowhead Engineered Products
Acquired	October 2016
Industry Sector	Industrial services – Supply chain services
Headquarters	Minnesota, US

Arrowhead Engineered Products ('Arrowhead') is a market leading supplier/distributor of mission critical aftermarket parts primarily for off-highway vehicles. Arrowhead offers the broadest selection of non-discretionary, replacement vehicle products and services to a diverse set of end users in different markets including Utility/Powersports/Motorcycle, Agriculture, Industrial, Outdoor Power Equipment, Marine, Auto and Heavy Duty. Arrowhead has acquired four companies since Investcorp's investment in October 2016: Stens, J&N Electric, Interparts and Ratioparts. These add-on acquisitions have significantly increased Arrowhead's scale in the aftermarket replacement parts market.

www.arrowheadep.com

Portfolio Company Name	PRO Unlimited
Acquired	October 2014 / May 2017
Industry Sector	Business services – Technology enabled services
Headquarters	Florida, US

Founded in 1991, PRO Unlimited delivers a full range of services to address procurement, management and compliance issues related to contingent workers, including independent contractors, consultants, temporary workers and freelancers. PRO Unlimited operates in over 50 countries and provides services to some of the world's largest and most prestigious companies through its integrated, vendor-neutral software and services platform.

Investcorp originally invested in PRO Unlimited in October 2014. In May 2017, Investcorp sold a majority stake in PRO Unlimited to Harvest Partners and retained a minority stake.

www.prounlimited.com

Portfolio Company Name	Paper Source
Acquired	September 2013
Industry Sector	Consumer products – Specialty retail
Headquarters	Illinois, US

Paper Source is a vertically integrated, cross-channel retailer, offering a premium selection of uniquely designed and curated gifts, stationery, and crafting supplies. The company operates 130 stores across the US. The company goes to market through retail stores, direct-to-consumer and wholesale channels. Stores offer workshop classes, demonstrations, and consultation appointments that drive high customer engagement, conversion, and customer loyalty.

www.paper-source.com

Portfolio Company Name	Sur La Table
Acquired	July 2011
Industry Sector	Consumer products – Specialty retail
Headquarters	Washington, US

Sur La Table is a specialty retailer of culinary merchandise and a leading provider of non-degree culinary courses in North America. Offering a broad selection of the best culinary brands and an assortment of innovative kitchenware products, Sur La Table currently operates over 130 stores across the US with a widely distributed catalog and a premium online platform.

www.surlatable.com

Portfolio Company Name	TPx Communications
Acquired	April 2000
Industry Sector	Telecom
Headquarters	California, US

TPx Communications (formerly TelePacific) is a provider of network and communications services headquartered in Los Angeles. In business since 1998, the company is the nation's premier managed services provider, delivering unified communications, managed IT and network connectivity to 55,000 customer locations across the country.

www.tpx.com

PE Europe

As of December 31, 2019, Investcorp's aggregate balance sheet co-investment amount in private equity investments in Europe was $50 million invested across ten companies

Portfolio Company Name	Vivaticket
Acquired	September 2019
Industry Sector	Business services
Headquarters	Bologna, Italy

Established in 1999, Vivaticket is a leading global provider of integrated ticketing software solutions to the leisure and entertainment, sport, culture and tradeshow industries. With twenty years of experience in the field and relying on the most innovative technological solutions, Vivaticket offers a wide range of services that cover the full customer experience from ticket purchasing to on-site activities in theme parks, stadia or at events. Headquartered in Bologna, Italy, Vivaticket has an extensive global presence with over 2,100 clients spanning 50 countries, including some of the world's leading brands such as Walt Disney World, Musée du Louvre and FC Barcelona, amongst others.

www.vivaticket.com

Portfolio Company Name	Cambio
Acquired	February 2019
Industry Sector	Business services - Healthcare
Headquarters	Stockholm, Sweden

Founded in 1993, Cambio is a Swedish-based provider of Electronic Health Record ('EHR') software and services as well as eHealth solutions to the primary and social care (elderly and disabled care) sector. Cambio is the only Nordic EHR provider with a pan-European presence, and currently has operations in Sweden, Denmark and the UK. With a total customer base comprising 155,000 individual users, Cambio has a market share of approximately 30% across the Nordics. Cambio employs approximately 660 people.

www.cambio.se

Portfolio Company Name	Acura
Acquired	May 2018
Industry Sector	Business services - Healthcare
Headquarters	Frankfurt am Main, Germany

Acura was established by the Investcorp Group in 2018. Since foundation, Acura has developed into a leading platform company to execute on an attractive buy-and-build strategy in the German dental market. To date, Acura has signed the acquisition of 31 dental clinics and plans to acquire additional clinics over the next five years to strengthen its market leading position among dentist services groups in Germany. Acura's dental clinics offer general dental care services as well as specialty services, including endodontics (treatment of dental pulp), implantology (dental implants), orthodontics (correcting mispositioned teeth), periodontology (supporting structures of teeth) and prophylaxis (preventive dental care).

www.acura-zahnaerzte.de

Portfolio Company Name	Kee Safety
Acquired	October 2017
Industry Sector	Industrial products
Headquarters	Birmingham, United Kingdom

Founded in 1934, Kee Safety's products have a longstanding reputation for their quality, reliability and safety and include fall prevention equipment, roof edge protection, barrier and guardrail systems and safe access solutions. Today, the company has a global presence and sells its products across more than 60 countries worldwide to a broad range of customers, from multi-national corporations to distributors and installers. Kee Safety employs over 650 people and has established operations in 10 countries, including the US and China.

www.keesafety.com

Portfolio Company Name	ABAX
Acquired	June 2017
Industry Sector	Business services – Technology enabled services
Headquarters	Larvik, Norway

Founded in 2003, ABAX has become the leading telematics solution provider in the Nordics by developing and delivering sophisticated fleet tracking, electronic triplogs, and equipment & vehicle control systems. Headquartered in Larvik, Norway, the company has approximately 310 employees and established operations across the Nordic region as well as in Poland, the Netherlands and the UK.

www.abax.co.uk

Portfolio Company Name	Agromillora
Acquired	December 2016
Industry Sector	Consumer Products - Agriculture
Headquarters	Barcelona, Spain

Founded in 1986 in Barcelona, Agromillora is the leading global developer of high yielding plants and trees, with a key focus on permanent crops, including stone fruits, citrus, nuts, berries, olive trees and grape plants. The company pioneered the production and marketing of trees for high yielding olive orchards with the disruptive super-high-density planting solution and has since been promoting similar agronomic improvements for a complete portfolio of high-quality plants. With a global network of 11 production subsidiaries across nine countries, Agromillora sells to clients in over 25 countries.

www.agromillora.com

Portfolio Company Name	Corneliani
Acquired	June 2016
Industry Sector	Consumer products – Specialty retail
Headquarters	Mantova, Italy

Founded in 1958, Corneliani is a luxury menswear brand. Best known for its men's suits and chic casualwear, it is one of the oldest independent Italian luxury brands. Corneliani benefits from a global sales presence in more than 62 countries through 13 directly operated stores, approximately 850 multi-brand stores, more than 69 franchise stores and approximately 38 store-in-stores, including Harrods, Selfridges, Harvey Nichols, Saks Fifth Avenue and Bloomingdales.

www.corneliani.com

Portfolio Company Name	Dainese
Acquired	January 2015
Industry Sector	Consumer products
Headquarters	Vicenza, Italy

Founded in 1972, Dainese is the most recognized and respected brand for safety and quality in the motorcycle and other dynamic sports market. Originally known for its competitive motorcycling racing wear, Dainese has subsequently diversified its product range and today provides protective gear for road and racing use alike, as well as for use in winter sports, biking and horse riding. In addition, through the AGV brand name, Dainese is one of the leading protective helmet manufacturers for the motorcycle market. Through its Dainese Technology Centre ('D-Tec'), an R&D technical center for the study of protective technology, the company strives to ensure that it remains at the forefront of innovation.

In October 2015, Investcorp together with Dainese acquired POC, a pioneer in innovative safety concepts for sportswear to provide athletes and consumers with the highest standard of personal protection. POC's line of products includes helmets, body armor, goggles, eyewear, gloves and gear, which are currently sold across 25 countries worldwide. Through technical collaboration with partners such as Volvo, POC is pioneering innovative safety concepts and has won more than 40 prestigious international safety, design, innovation and business awards.

www.dainese.com / www.pocsports.com

Portfolio Company Name	SPGPrints
Acquired	August 2014
Industry Sector	Industrial products
Headquarters	Boxmeer, The Netherlands

Based in The Netherlands, SPGPrints is a leading global manufacturer of consumables for printed textiles and labels. The product offering primarily consists of consumables used in the printing process (rotary screens, lacquers, digital inks and digital engraving) complemented by a full range of printing systems/equipment and after sales spare-parts, installation and maintenance services. SPGPrints is represented in more than 100 countries worldwide and commands a leading market position in most of its segments.

www.spgprints.com

Portfolio Company Name	Georg Jensen
Acquired	November 2012
Industry Sector	Consumer products – Specialty retail
Headquarters	Copenhagen, Denmark

Based in Copenhagen, Georg Jensen is a global luxury brand that designs, manufactures and distributes jewelry, watches, fine silverware and high-end homeware. With a history that spans over 115 years, the Georg Jensen brand has a deep heritage in silversmithing and represents quality craftsmanship and timeless designs. The brand is also endorsed by the Queen of Denmark.

www.georgjensen.com

PE Technology

As of December 31, 2019, Investcorp's aggregate balance sheet co-investment amount in technology investments was $12 million invested across nine companies.

Portfolio Company Name	Contentserv
Acquired	August 2019
Industry Sector	Technology – Big data
Headquarters	Ermatingen, Switzerland

Founded in 2012, Contentserv's PIM software suite enables customers to centrally and consistently manage and use product-related data across multiple online and offline channels. Consistent and rich product data is key to delivering a more compelling product experience (resulting in higher revenue conversion) to end-customers in an increasingly complex ecommerce world. Contentserv offers a fully flexible software suite that can be delivered through on-premise installations, software-as-a-service ('SaaS') or as a hybrid hosting solution.

www.contentserv.com

Portfolio Company Name	Ubisense
Acquired	December 2018
Industry Sector	Technology – Big data
Headquarters	Cambridge, UK

Ubisense is an enterprise software and sensor platform that generates and interprets vast amounts of location data to create digital visibility of real-world objects and their interactions in real time, enabling complex manufacturing processes with high levels of variability to be more flexible, easier to manage and easier to control. Ubisense's service solution generates meaningful and demonstrable return on investment to Ubisense's blue-chip customers. Ubisense is present in a number of verticals, including Aerospace, Commercial Vehicles, Passenger Vehicles, General Industry, and Transportation amongst many others.

www.ubisense.net

Portfolio Company Name	softgarden
Acquired	September 2018
Industry Sector	Technology – Big data
Headquarters	Berlin, Germany

Founded in 2005, softgarden offers an innovative recruitment technology platform to a diversified set of German mid-market and enterprise customers. The company's "Applicant Tracking System" (ATS) - a SaaS platform covering the entire digital corporate recruitment process - enables companies to streamline and manage their entire recruitment process in a fully automated and data-privacy compliant manner. In addition to this, softgarden offers a proprietary jobseeker marketplace, as well as a tool to automate the posting of ads on job boards.

www.softgarden.io

Portfolio Company Name	Impero
Acquired	July 2017
Industry Sector	Technology – Security
Headquarters	Nottingham, UK

Founded in 2002, Impero has become a market leader in the UK in integrated safeguarding software with its comprehensive education solution that enables schools to keep students safe, improves the teaching environment and maximizes efficiency for school network managers. Headquartered in Nottingham, UK, with an office in Austin, Texas, the company has a greater than 30% share of the UK secondary school market, currently serving more than 1,150 secondary schools across the country, and with a significant footprint across more than 500 US districts. Globally, the software is accessed by over 1.5 million devices in over 90 countries, and during the course of 2018/19 the company transitioned from an on-premise solution to a cloud-based SaaS model.

www.imperosoftware.com

Portfolio Company Name	Ageras
Acquired	March 2017
Industry Sector	Technology – Internet/mobility
Headquarters	Copenhagen, Denmark

Founded in 2012, Ageras is a fast-growing online marketplace connecting SMEs and micro-businesses with professional service providers such as accountants and lawyers across Scandinavia and Western Europe. Run by its founders, the company operates in six markets (Norway, Sweden, The Netherlands, Germany, and the US alongside its home market of Denmark). Ageras' proprietary matching algorithm allows it to combine automation with high levels of service in order to ensure maximum customer satisfaction. During 2018, Ageras launched a new arm of its business to focus on monetizing high-simplicity projects through an automated accounting system. This new product is in start-up mode, but the initial results are showing good traction.

www.ageras.com

Portfolio Company Name	Calligo
Acquired	November 2016
Industry Sector	Technology – Big data
Headquarters	St Helier, Jersey

Calligo is a fast-growing provider of cloud solutions focused on serving the global mid-tier enterprise segment. Founded in 2012, with the aim of leveraging jurisdictions across the globe that offer a robust data protection framework, Calligo provides a trusted cloud platform for hosting mid-tier enterprises, their data and applications. The company's proprietary cloud platform offers the highest levels of data privacy along with application performance guarantees, commercial flexibility and a personalized support service.

www.calligo.cloud

Portfolio Company Name	eviivo	
Acquired	March 2011	
Industry Sector	Technology – Internet / mobility	
Headquarters	London, UK	

eviivo is a leading European software provider for small and medium-sized accommodation businesses to manage their online and offline bookings, allocate rooms, allow for flexible pricing, invoice and process payments. With approximately 14,000 customers, eviivo's portfolio covers the breadth of the UK, US, French, German and Mediterranean markets and includes B&Bs, guest accommodation, inns, farmhouses, cottages, restaurants with rooms, and smaller boutique hotels.

www.eviivo.com

Portfolio Company Name	OpSec Security Group	
Acquired	March 2010	
Industry Sector	Technology – Security	
Headquarters	Newcastle, UK	

OpSec Security Group ('OpSec') is a global leader in providing anti-counterfeiting technologies, as well as solutions and services for physical and online brand protection, to over 400 brand owners worldwide. OpSec operates manufacturing facilities and laboratories in the US and the UK, and has sales operations in the Americas, Europe and Asia.

www.opsecsecurity.com

Portfolio Company Name	kgb	
Acquired	April 2006	
Industry Sector	Technology – Big data	
Headquarters	New York, US	

kgb (formerly InfoNXX) is a global independent provider of directory assistance and enhanced information services. kgb delivers solutions to wireless and landline carriers, corporations and educational institutions in North America, handling the majority of the '411' calls in the US that are delivered through a mobile phone. In the UK, kgb's 'The Number' 118 has become Britain's leading directory assistance service for consumers and businesses. In addition to the US and UK, the company also has operations in Ireland, France, Austria, Switzerland, Germany, Morocco, and Philippines.

www.kgb.com

PE MENA

As of December 31, 2019, Investcorp's aggregate balance sheet co-investment amount in private equity investments in the MENA region was $188 million invested across thirteen companies. The portfolio listing shown below includes Hydrasun, even though it is headquartered in Aberdeen, UK, as it is a portfolio company of the Gulf Opportunity Fund.

Portfolio Company Name	Reem Integrated Healthcare
Acquired	April 2018
Industry Sector	Healthcare
Headquarters	Abu Dhabi, United Arab Emirates

Reem Integrated Healthcare Holdings is developing a new landmark hospital complex on Reem Island, Abu Dhabi, UAE. The complex comprises a modern and highly specialized rehabilitation center combined with a children's and women's hospital and a family medical center. The development of the hospital complex will take place in phases: first, the construction of a more than one hundred bed rehabilitation center and a sizeable family medical center targeted to open at the end of 2019 and which will be built and operated by VAMED, a leading global provider of development, design and operational management services for hospitals; and second, the development of a more than one hundred bed children's and women's hospital, providing a full range of general and specialized pediatric surgery and treatments, as well as comprehensive gynecology and obstetrics services supported by a neonatal intensive care unit and which will be operated by VAMED in cooperation with Charité from Berlin, Germany, one of the leading university hospitals in Europe.

Operators website: www.vamed.com and www.charite.de

Portfolio Company Name	Al Borg Medical Laboratories
Acquired	November 2016
Industry Sector	Healthcare
Headquarters	Jeddah, Saudi Arabia

Established in 1999 in Jeddah, Al Borg Medical Laboratories ('Al Borg') has 67 laboratories across eight countries in the GCC and Africa, with a clear leadership position in Saudi Arabia. Al Borg employs over 1,200 personnel and offers a wide range of routine and specialty medical laboratory testing services to hospitals, clinics, corporates and individuals. In December 2017, Al Borg acquired Proficiency Healthcare Diagnostics, a leading private independent laboratory network in Abu Dhabi, UAE, operating five laboratories across Abu Dhabi, Dubai, Sharjah and Al Ain.

www.alborglaboratories.com

Portfolio Company Name	Bindawood Holding
Acquired	December 2015
Industry Sector	Consumer products – Grocery retail
Headquarters	Jeddah, Saudi Arabia

Established in 1984, with over 30 years of operations and a network of 71 stores across Saudi Arabia, the Bindawood group operates one of the largest chains of supermarkets and hypermarkets in Saudi Arabia. The company is predominately focused in the Western regions of Jeddah, Makkah and Madinah, with a growing presence in the Central and Eastern regions.

www.bindawood.com / www.danubeco.com

Portfolio Company Name	NDT Corrosion Control Services Co.
Acquired	July 2015
Industry Sector	Industrial services
Headquarters	Dammam, Saudi Arabia

Established in 1975, NDT Corrosion Control Services Co. LLC ('NDTCCS') is the largest non-destructive testing ('NDT') service provider in Saudi Arabia employing over 2,200 technicians in Saudi Arabia, Oman, UAE and Kuwait, and has recently entered the Bahrain market. NDT is an essential service which involves the evaluation and testing of pipes, pressure vessels, oil platforms and other key industrial components to identify faults, cracks or defects without causing damage. NDTCCS provides conventional and advanced NDT services for a range of industrial sectors including oil and gas, petrochemicals, mining, nuclear and utilities. In February 2019, NDTCCS acquired International Inspection Center Co. ('Intrex'), Kuwait's largest provider of industrial NDT and inspection services employing over 930 technicians.

www.ndtcorrosion.com

Portfolio Company Name	Arvento Mobile Systems
Acquired	March 2015
Industry Sector	Business services – Technology enabled services
Headquarters	Istanbul, Turkey

Established in 2005, Arvento Mobile Systems is a provider of telematics solutions, delivered as a software-as-a-service, which provide fleet operators with visibility into vehicle location, fuel usage, speed and mileage and other insights into their mobile workforce, enabling them to reduce their operating costs and increase their revenues. The company designs, develops and sells its own range of hardware products and software applications. The business is a market leader in Turkey as well as one of the leading players in the Kingdom of Saudi Arabia and the UAE. It is a multiple award winner for its technology and its rapid growth.

www.arvento.com

Portfolio Company Name	Namet
Acquired	December 2013
Industry Sector	Consumer products
Headquarters	Istanbul, Turkey

Established in 1998 and acquired in 2005 by the Kayar family, Namet Gida Sanayi ve Ticaret A.S. ('Namet') is the largest integrated producer of fresh cut and packaged processed red meat products in Turkey. The company operates an integrated cattle farm in Urfa with 45,000 livestock capacity supplying nearly 25% of the company's production needs. The company processes and sells unpacked and packed fresh cut meat, delicatessen products, frozen products and further processed products. Products are sold under the Namet and Maret (acquired in September 2014) brands or as private label products to the retail and B2B (hotels/restaurants/catering) channels.

www.namet.com.tr

Portfolio Company Name	Al Yusr Industrial Contracting Company W.L.L
Acquired	October 2013
Industry Sector	Industrial services
Headquarters	Jubail, Saudi Arabia

Al Yusr Industrial Contracting Company W.L.L. ('AYTB') was founded in 1979 in Jubail and over its 39-year history has made a significant contribution to the industrial growth of Saudi Arabia. The company supports the petrochemical and oil and gas sectors and supplies technical and logistical support, in addition to maintenance, construction, industrial cleaning as well as facility management, manpower supply, catering and accommodation services. AYTB's clients include many of the region's leading petrochemical and oil and gas companies. The company employs over 5,000 people across its operations in Saudi Arabia and Qatar.

www.aytb.com

Portfolio Company Name	Theeb Rent a Car Co.
Acquired	June 2013
Industry Sector	Consumer services
Headquarters	Riyadh, Saudi Arabia

Theeb Rent a Car Co. ('Theeb') is a leading car rental company in Saudi Arabia primarily serving the 'individual' customer segment with short-term rental services. The company has also recently started offering long-term leasing to the 'corporate' customer segment. Established in 1991 and headquartered in Riyadh, Theeb operates a fleet of over 17,000 vehicles with a wide network of 45 branches, including 13 at international and regional airports across Saudi Arabia. Over the years Theeb has built a strong local brand and membership program with over 240,000 members.

www.theeb.com.sa

Portfolio Company Name	Hydrasun Group Holdings Ltd.
Acquired	March 2013
Industry Sector	Industrial services
Headquarters	Aberdeen, Scotland

Founded in 1976 in Aberdeen, Scotland, Hydrasun Group Holdings Ltd. ('Hydrasun') has international operational bases in the UK, the Netherlands, the Caspian Sea, West Africa and the Gulf Coast of the US. Hydrasun is engaged in the integration, manufacture and testing of hydraulic equipment and fluid connectors for the offshore oil and gas sector. Its products and services are mainly used across the offshore oil and gas sector with further application in the petrochemical sector. The company employs around 440 personnel and has state-of-the-art engineering, production, manufacturing, training and warehousing facilities.

www.hydrasun.com

Portfolio Company Name	Automak Automotive Company
Acquired	October 2012
Industry Sector	Industrial services
Headquarters	Kuwait

Founded in 2002 by Al Kharafi Projects Co. W.L.L. and Mr. Ghazi Omar, Automak Automotive Company ('Automak') is a leading player in the fleet leasing and rental business in Kuwait. Automak operates a fleet of in excess of 10,000 vehicles leased on a long-term basis (24-36 months) primarily to key companies in the oil, public and corporate sectors in Kuwait and on a short-term basis in the spot rental market. Automak also provides a wide spectrum of services and products including quick service and distribution of spare parts, tires and lube oil.

www.automak.com

Portfolio Company Name	ORKA Holding
Acquired	September 2012
Industry Sector	Consumer products – Specialty retail
Headquarters	Istanbul, Turkey

ORKA Holding ('Orka') is one of the largest menswear retailers in Turkey with 218 directly operated stores (169 in Turkey and 49 around the world). Founded in 1986 by Süleyman Orakçıoglu, Orka has three brands (Damat, Tween and D'S Damat) which are suited to a broad customer base. The Damat brand targets the classic/high-end segment, the Tween brand targets the contemporary/mid to high-end segment and the more affordable D'S Damat targets the classic and contemporary mid segment. Damat is the #1 apparel brand in Turkey with an estimated 97% brand awareness.

www.orkagroup.com

Portfolio Company Name	Tiryaki Agro
Acquired	September 2010
Industry Sector	Consumer products – Trading and logistics
Headquarters	Istanbul, Turkey

Tiryaki Agro (‘Tiryaki’) is a leading trader and supply chain manager of agro commodities in Turkey. Founded in Gaziantep, Turkey, in 1965 by the Tiryakioglu family, the company has expanded over two generations to become one of the most successful family businesses in Turkey with sales operations across the globe. Tiryaki’s business is in the sourcing, processing, storage and trading of conventional and organic grains, pulses, oil seeds, feed stuff and nuts across Europe, Africa, the Middle East, the CIS, America and Asia. The company has a team of approximately 850 professionals, has processing and storage facilities in Turkey and serves a broad customer base including food processors, retailers, governmental agencies and other agro wholesalers.

www.tiryaki.com.tr

Portfolio Company Name	L’azurde
Acquired	March 2009
Industry Sector	Consumer products
Headquarters	Riyadh, Saudi Arabia

L'azurde, a family-owned business established in 1980 in Saudi Arabia, is a leading Arab designer, manufacturer and distributor of gold jewelry for the premium mass market, with two large state-of-the-art industrial plants in Riyadh and Cairo. The company has high quality products and designs, a diversified regional distribution network, strong manufacturing capabilities, and significant economies of scale advantages with approximately 1,300 wholesale relationships that span the MENA region. In October 2018, L’azurde acquired Izdiad, the Saudi franchisee of the TOUS international jewelry brand, operating 26 TOUS franchise stores in Saudi Arabia.

www.lazurde.com

PE Asia

As of December 31, 2019, Investcorp's aggregate balance sheet co-investment amount in private equity investments in the Asia region was $5 million.

Portfolio Company Name	NephroPlus
Acquired	November 2019
Industry Sector	Healthcare
Headquarters	Hyderabad, India

Founded in 2010 by Vikram Vuppala and Kamal D Shah, Nephrocare Health Services Private limited ('NephroPlus') is the leading dialysis service provider in India. NephroPlus has the largest network of dialysis centers in India that is over four times larger than the second largest player, leading the industry with over 140,000 dialysis sessions per month in 196 centers across more than 115 cities. NephroPlus has a strong focus on patient-centric care where each patient is treated as a "guest." NephroPlus is a pioneer in managing dialysis departments of hospitals via long term outsourcing contracts.

www.nephroplus.com

Portfolio Company Name	India Consumer Growth Portfolio
Acquired	February 2019
Industry Sector	Consumer & Retail / Financial Services / Healthcare
Headquarters	India

India Consumer Growth Portfolio is a diversified portfolio of leading high-growth consumer companies in India. The portfolio currently comprises seven high-growth consumer companies (listed below) and is expected to continue to grow and diversify by investing in its active deal pipeline in the Consumer & Retail, Financial Services and Healthcare sectors.

Portfolio Company Name	Date of Investment	Industry Sector
NephroPlus	November 2019	Healthcare
Bewakoof	October 2019	Consumer & retail
Intergrow	October 2019	Packaged foods
CityKart	February 2019	Consumer & retail
Zolostays	January 2019	Services
ASG Hospitals	October 2017	Healthcare
InCred	November 2016 / March 2017	Non-Banking, Financial Services & Insurance

Portfolio Company Name	China Pre-IPO Technology Portfolio
Acquired	September 2018
Industry Sector	Technology
Headquarters	Predominantly in China, together with one US-based company with significant China angle

China Pre-IPO Technology Portfolio is a diversified portfolio of leading high-growth pre-IPO technology companies in China or globally with a significant China angle, in partnership with China Everbright, a reputed sovereign-backed asset manager. The portfolio currently comprises nine high-growth companies and is expected to continue to grow and diversify by investing in its active deal pipeline in the Internet Services, Media & Entertainment, Artificial Intelligence and Consumption Upgrade sectors.

Real Estate Portfolio Listing

Investcorp co-investment by year ($m)	Properties # vs. current *	Sector	Geographic location	Carrying value end of Dec-19	Carrying value end of Jun-19
Diversified VII	4 / 0				
US Hotels Portfolio	9 / 1	Hotel	SW		
Vintage FY07				**2**	**3**
Southland & Arundel Mill Mezz	n.a. **	Retail	SE		
Vintage FY12				**0**	**0**
2013 Office II	5 / 2	Office	SE / SW		
Vintage FY13				**1**	**1**
Canal Center	4 / 3	Office	E		
Vintage FY15				**1**	**1**
2015 Residential II	8 / 0	-	-		
2015 Office & Industrial	79 / 0	-	-		
Boca Raton & Minneapolis Residential	5 / 1	Residential	SE		
733 Tenth Street	1 / 1	Office	E		
Vintage FY16				**2**	**5**
2016 Residential	10 / 1	Residential	MW		
Boston & Denver Commercial	20 / 0	-	-		
901 Fifth Street	1 / 0	-	-		
New York & California Multifamily	2 / 2	Residential	E / W		
Chicago & Boston Industrial	6 / 6	Industrial	MW / E		
Vintage FY17				**4**	**9**
Florida & Arizona Multifamily	6 / 6	Residential	SE / SW		
UK Industrial Logistics	9 / 9	Industrial	UK		
Midtown Manhattan Office	2 / 2	Office	E		
2018 Residential	5 / 5	Residential	SE / SW / MW		
UK Industrial Logistics II	9 / 9	Industrial	UK		
2018 Warehouse	38 / 38	Industrial	SE / SW / MW		
Vintage FY18				**19**	**19**
German Office 2018	2 / 2	Office	GER		
US Industrial & Logistics	56 / 56	Industrial	E / SW / MW		
2018 Multifamily	6 / 6	Residential	SE / SW / W		
2019 Multifamily	8 / 8	Residential	SE / SW		
Frankfurt and Hamburg	2 / 2	Office / Industrial	GER		
US Distribution Center	8 / 8	Industrial	MW / SW / SE		
Vintage FY19				**9**	**21**
UK Industrial & Logistics III	10 / 10	Industrial			
2019 Multifamily II	11 / 11	Residential			
2019 US Industrial and Logistics	76 / 76	Industrial			
Vintage FY20				**9**	**6**
Others				**2**	**1**
Sub-total	**402 / 265**			**49**	**65**
New portfolios under construction	59 / 59			**23**	**3**
Total including new portfolios under construction	461 / 324			**72**	**68**

* Portfolios which have been realized in this current reporting period, reflecting a current property count of 0 (zero), are retained in this chart as they contribute to the carrying value of the previous period.

** Mezzanine investments.

W=West, E=East, SW =Southwest, SE=Southeast, MW=Midwest, UK=United Kingdom, GER=Germany