INVESTCORP

Quarterly Shareholder Update

Q3 FY2020

For the period January 1, 2020 to March 31, 2020

"We believe our Firm is well-positioned to achieve our long-term objectives and navigate the unprecedented challenges from the coronavirus pandemic. We are actively managing our portfolios to mitigate risks and protect our investments while seeking to identify opportunities created by market dislocations. With our Firm's solid foundation, robust balance sheet, world-class team and history of driving value across cycles, we remain focused on continuing to serve our clients, shareholders, partners and communities."

- Mohammed Alardhi, Executive Chairman

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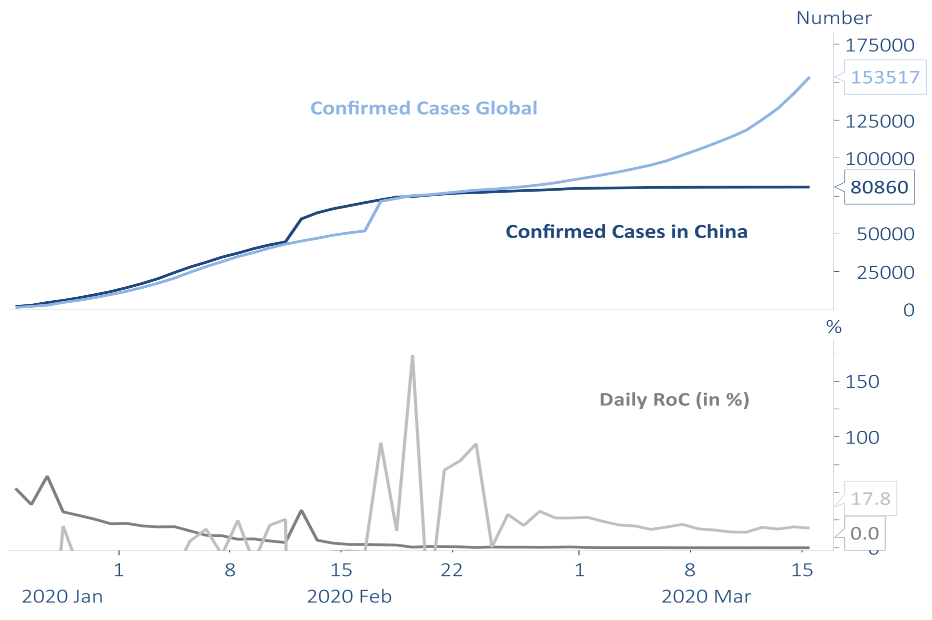
Macro and Business Environment

The global economy entered 2020 on a modest upswing. Many of the headwinds that had slowed growth throughout 2019 were fading, leaving scope for a rebound in growth for the year. Trade policy concerns had eased with the US and China agreeing on a "Phase One" trade deal in the fall of 2020. Monetary policy remained accommodative after the Federal Reserve delivered seventy-five basis points of interest rate cuts and looked likely to be on hold for a while. As a result, financial conditions had loosened: credit spreads had tightened close to historical lows, equity markets had delivered strong performance including a rebound in cyclical sectors and volatility remained subdued. Manufacturing had certainly taken a severe toll from the contraction in trade activity which took place in 2019, but was showing signs of a rebound. The consumer sector looked strong, powered by a robust job market and decent wage gains.

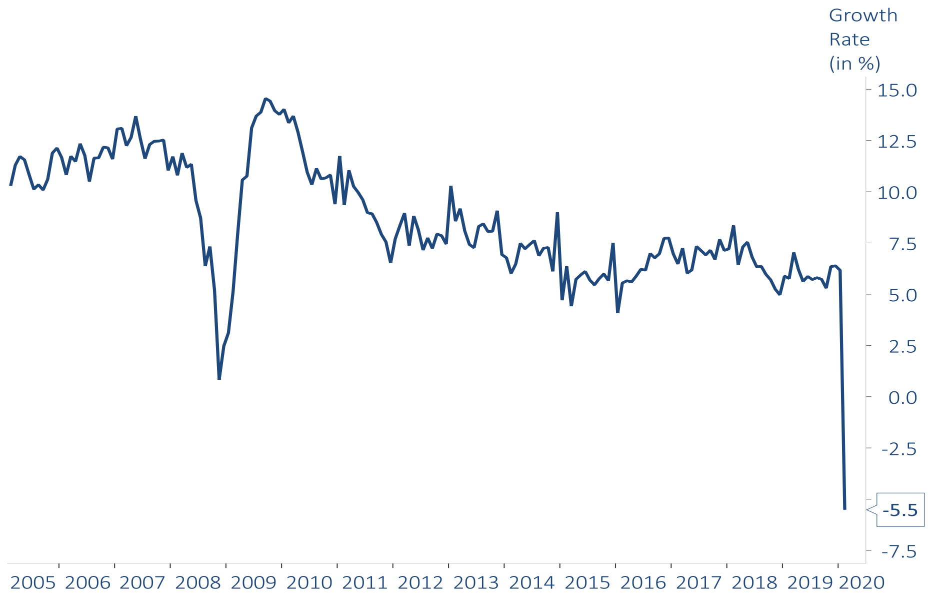
The outbreak of Covid-19 has dramatically affected the trajectory of the global economy. The epidemic started in China in January 2020 and Chinese policymakers responded quickly by enforcing severe containment measures to slow down the rate of the virus spreading. These measures were successful in limiting the outbreak of the virus in China, but naturally had adverse economic side-effects. Supply chains were disrupted starting in January 2020, and a supply shock reverberated throughout the global economy. The manufacturing sector was the primary victim, with globally integrated supply chains halted in the absence of Chinese-made components. Unfortunately, the epidemic turned into a global pandemic in March 2020, with the virus spreading across most countries including in continental Europe and the United States. The nature of the virus, including its contagion rate and the fact that a significant share of infected patients must receive proper care in capacity-limited hospitals' intensive care units are forcing authorities globally to respond by enforcing strict "social distancing" measures. This is the equivalent of a "sudden stop" for the economic system. Consumer activity has decelerated sharply, almost to a standstill in March and many economic sectors will face historically unprecedented hardships. Travel, leisure and retail are already experiencing collapses in demand. Lower cashflows and liquidity shortfalls risk spilling over into sustained credit issues. Global recessions are generally formed through endogenous dynamics, with excess capacity in one or multiple sectors or major credit and financial imbalances. In today's context, an exogenous force is likely to trigger a sharp global recession whose length and depth will depend on the outbreak and all policy measures to contain it and support the economy in its recovery.

Global Outbreak of Covid-19 Cases



Source: Investcorp, Macrobond

Economic growth collapses in China as containment measures slow activity (Economic Nowcast)



Source: Investcorp, Macrobond

The primary response from authorities globally is to focus on efforts to contain the outbreak of Covid-19. These efforts are in the process of being enforced, with varying degrees of consistency and severity across different countries. These efforts will be key in lowering the epidemic's peak and allowing time for the healthcare systems to cope with the surge in the number of Covid-19 cases. Monetary authorities are also responding aggressively with a slew of measures to lower interest rates, flush the financial systems with liquidity and step up asset purchases through new quantitative easing programs. The goal is to avoid too sharp or sustained a tightening in financial conditions and address short-term liquidity/funding issues. Monetary policy can only do so much to contain the near-term downfall in activity but will be key to ensure proper access to credit once conditions normalize. Fiscal policy will also be a major driver, with several governments announcing stimulus packages starting toward the end of the first quarter. The goal will be to sustain activity through the containment period to avoid a major contraction in payrolls and offer credit flexibility to small-and-medium size enterprises.

A second supply shock also rocked markets in March 2020, with OPEC+ failing to agree on a deal to add to or sustain crude oil production cuts. The disagreement between the Kingdom of Saudi Arabia and Russia and the subsequent decision from Aramco to offer deep price discounts and scale up production to full capacity is risking flushing markets with oil, when demand is collapsing due to the impact of the virus. The decline in oil prices has exerted severe downward pressure on inflation break-evens. That dynamic is worrying insofar as it could reinforce the deflationary shock the global economy is already facing.

In summary, uncertainty has sky-rocketed with different economic scenarios likely to play out depending on how fast the outbreak of Covid-19 can be controlled and each country's policy response. Financial markets are experiencing much higher realized volatility and lower liquidity, to an extent reminiscent of the global financial crisis of 2008.

Crude oil prices collapsed on outlook for price war in energy markets

Source: Investcorp, Macrobond

Business Activity

Private Equity

In January, Investcorp successfully completed its exit from **Tiryaki Agro**, the largest agricultural commodity trader in Turkey and the world's largest supplier of organic grains and oilseeds, with sales of around $1.3 billion. This marks the first exit of Investcorp's portfolio in Turkey.

In February, Investcorp's Private Equity team in North America ("PE-NA") announced that it had completed the acquisition of **Fortune International, LCC** ("Fortune"), a leading super-regional specialty distributor of seafood and gourmet food products. Fortune was founded in 2001 by CEO Sean O'Scannlain, who will continue to lead the company and maintain a significant ownership stake. The company has cultivated a loyal and diverse customer base through its commitment to sourcing the freshest, highest quality products and delivering industry-leading service levels. With a strong founder-led management team, Fortune has grown to become one of the largest seafood and specialty food distributors in the U.S. Fortune distributes fresh seafood, frozen seafood and gourmet foods, offering more than 12,000 SKUs to fine-dining restaurants, grocery stores, hotels and other customers, primarily across the Midwestern U.S. The company has continually expanded its geographic footprint by acquiring specialty distributors in strategic markets. In order to maintain operational flexibility, Investcorp and Mr. O'Scannlain have capitalized the company with a conservative capital structure to fund a deliberate acquisition strategy and further accelerate Fortune's geographic expansion.

Also in February, Investcorp closed the sale of **TPx Communications** (formerly known as TelePacific) to Siris Capital Group ("Siris"). Siris is a technology focused private equity firm with an investment strategy targeting businesses undergoing strategic, operational and/or technological transformation. TPx is a strong fit for Siris' focus on "hybrid" businesses with both a legacy (network access business) and growth offering (unified communications and managed IT business).

Following the period end, in April, Investcorp announced that it has agreed to acquire **Avira Holding GmbH & Co KG and ALV GmbH & Co KG** ("Avira") for $180 million. Avira is a German headquartered, multinational cybersecurity software solutions firm serving the OEM (Original Equipment Manufacturer) and consumer end markets, with over 500 million endpoints protected globally. Over its 30+ year history, the company has developed particular strengths in Anti-Malware, Threat Intelligence and Internet of Things solutions. Its software provides next generation security for users' online identity, finances, and private data, protecting against viruses, malware, ransomware and other threats. This acquisition represents the first institutional investment in Avira since it was founded in 1986 by Tjark Auerbach.

Also in April, Investcorp announced the first closing at $275 million, to capitalize its **Asia food brands** private equity platform, that is established jointly between Investcorp, China Resources, one of the world's largest owners and distributors of food brands in Greater China and Fung Strategic Holdings Limited, a member of Fung Investments, the private investment arm of the families of Victor and William Fung. The investment platform primarily focuses on capturing the potential growth and market opportunities in Asia's highly fragmented food sector. Together, the partners aim to invest in the branded condiments, packaged foods and healthy snacks sectors. In the past several months, Investcorp has seen strong interest in platforms of this type given the food sector's traditionally defensive and resilient qualities especially in the current market landscape. With a potential of 120 million Chinese households set to become middle class consumers over the next decade, China can provide a significant surge in domestic consumption growth.

Real Estate

In January, Investcorp completed the acquisition of **535-545 Boylston Street**, a Class B+ office building totaling 184,643 square feet located in Boston's Back Bay for approximately $128 million. The Back Bay has long attracted some of the region's most notable employers and is home to some of Boston's most desirable retail, hospitality and dining options.

In February, Investcorp announced the acquisition of two Class B, "for rent" apartment properties in South Florida which will form part of the **2020 Residential Portfolio** for approximately $164 million. The acquisition provides Investcorp with a 95% occupied portfolio of 836 units. The two properties feature recently renovated interiors, upgraded common areas with amenities, including clubhouses and pools. Both properties are located in neighborhoods with a number of retail and entertainment attractions and are in close proximity to downtown Fort Lauderdale and South Florida's employment hubs. The South Florida metropolitan area benefits from a strong, growing and diversified economy with a lower unemployment rate and higher job growth expectations compared to the US national average.

In March, Investcorp announced that its European Real Estate business entered the Belgium market through the acquisition of The Bridge, a single let office and Research & Development (R&D) asset located in Brussels, which will form part of a new **European Office Portfolio**. Investcorp has acquired 100% of the property from a wholly owned subsidiary of The Coca-Cola Company for €88 million through a sale and 10-year leaseback transaction. The property serves as The Coca-Cola Company's Belgian headquarters, housing its marketing and R&D functions. Upon completion, the property will be 100% occupied by Coca-Cola and several of its existing sub-tenants. The acquisition represents Investcorp's first sale and leaseback real estate transaction in Europe.

Absolute Return Investments ("ARI")

The balance sheet co-investment portfolio delivered returns of -2.0% in Q3 FY20. The negative performance was primarily driven by some of Investcorp's hedge fund partnerships.

The Investcorp HC Tech fund was positive in January, February and March ending the third quarter FY20 up 6.6% with zero beta to broad markets. The fund generated profits across all asset classes and has outperformed the HFRI macro systematic index across all time periods.

Steamboat was down an estimated 2.1% in Q3 FY20, a strong outperformance for this directionally long equity focused fund manager amidst a challenging backdrop where the S&P 500 (TR) index was down 19.7% and the HFRI-Equity Hedge (Total) Index was down 12.9%.

Shoals was down an estimated 11.4% in Q3 FY20. Losses were primarily driven by its long exposure to non-agency callable RMBS which detracted from overall performance in March. As with most structured credit, RMBS faced an illiquidity driven adverse set of marks, as levered funds were forced to fire-sale at unfavorable levels. Despite the drawdown, Shoals can point to favorable relative outperformance as the HFRI: The Event Driven (Total) index of hedge funds was down 15.3% during the quarter and the KBW Bank Index ("BKX") of leading bank and financial sector public equities was down 42.3%.

Nut Tree was down 14.4% in Q3 FY20 as its long book of mid-market, lower rated high yield and levered off-the-run equities faced significant market headwinds. Meanwhile, the HFRI ED: Distressed/Restructuring index was down 12.18% in Q3. The fund's drawdown, given its exposure, was largely in-line with a weighted composite average of the BofA/ML High Yield Index's -13.1% decline and the Russel 2000's -30.6% drawdown.

The table below summarizes Investcorp's latest outlook for traditional asset classes and hedge fund strategies.

Traditional Asset Classes

Equities

- Slightly negative on equities globally, with a preference for ex-US markets

Credit

- Moderately constructive on credit asset classes with a preference for investment grade

Rates

- Underweight duration globally, with limited upside potential on current value

Commodity

- Underweight energy markets and neutral on precious metals

Hedge Funds Strategy Outlook

Equities

- Underweight beta-heavy strategies but constructive outlook on alpha and balanced factor exposure

Credit

- Neutral with upgrade watch on corporate credit and distressed
- Neutral on structured credit

Event Driven

- Slightly negative on special situations
- Neutral on merger arbitrage

Global Macro

- Strong overweight on discretionary managers and constructive on the outlook for trend followers as a defensive play

Relative Value

- Overweight on volatility arbitrage with large tradable opportunity set,
- Turned neutral on fixed income relative value
- Slightly negative on convertible arbitrage

Credit Management

Portfolio commentary

The Harvest CLO XXIII transaction closed on March 20th. Weighted average cost of capital was 167bps, which was in line with recent issuances in the market. The European Risk Retention Fund ("ELC") took 62% of the equity.

The Jamestown XV CLO successfully closed on March 13th. The portfolio was able to be ramped quickly by leveraging the weakness in the loan market from Covid-19 and oil volatility. Weighted average cost of capital was 189bps.

The ICM Global Floating Rate Income Fund ("GIF") AUM is $306 million as of March 31st. It has outperformed the loan indexes in March, posting returns of -12.39% (gross) and -12.46% (net) compared to -12.66% of the Blended Credit Suisse Leveraged Index, beating the index by 27 bps on a gross basis (20 bps net). The fund's portfolio managers have been focused on portfolio optimization as well as continuing to consolidate the portfolio to increase concentration in higher quality assets. The team has maintained a conservative approach to credit selection in order to position the Fund well as they navigate through the current market turbulence.

The COP I fund has made distributions to date totalling approximately 28% of initial capital, which is ahead of projections. The COP II fund has been fully deployed across 3 CLOs. There have been two distributions to date totalling approximately 7% of initial capital, also above original forecast assumptions.

The Mount Row (Levered) fund held its first close on January 6th and has deployed over $100 million of capital to date.

Client Activities

AUM & Fundraising

Deal-by-deal fundraising during the third quarter of the fiscal year included the continued placement of the **Acura** private equity deal, as well as the launch of **Fortune International**. From a real estate perspective, Investcorp launched the placements of two portfolios, **2020 Residential Properties Portfolio** and **European Office Portfolio**, and a new club deal, **535 – 545 Boylston Street.** The placement of **Investcorp Credit Opportunity Portfolio III** was also launched in the period.

Total deal-by-deal fundraising amounted to $162 million during the quarter.

Fundraising for the **Asia Food Brands** private equity joint venture fund began during the quarter, with $17 million raised from Investcorp clients so far. A first close for the fund was announced in April.

Total new subscriptions for ARI products in the quarter amounted to $199 million coming from several new and existing clients. Hedge fund partnerships saw significant inflows with subscriptions of $79 million into **Nut Tree Capital Management**, $112 million into **Nut Tree Drawdown fund**, $4 million into **HC Tech** and $4 million into **NPL II**. With the successful fundraising for Nut Tree Capital Management ("Nut Tree") in this quarter and previously, the fund has reached $1.6 billion in assets under management. The Nut Tree Drawdown fund was launched in the first quarter of 2020. The Drawdown Fund mirrors Nut Tree's existing fund, while providing the opportunity to supplement credit exposure during market dislocations. There were total client redemptions / outflows of $70 million during this quarter.

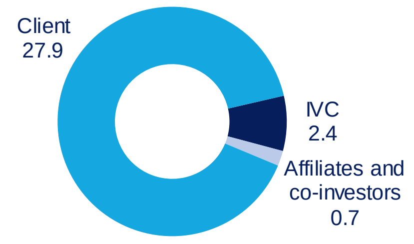
Fundraising in Strategic Capital for Investcorp Strategic Capital Partners fund totalled $5 million during the quarter.

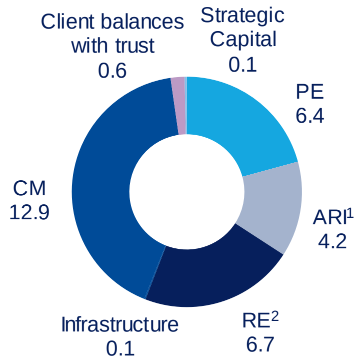
Fundraising in credit management totalled $967 million in the quarter. A total of $842 million was raised from the issuance of one new CLO in the US, **Jamestown CLO XV**, and one European CLO, **Harvest CLO XXIII**. New subscriptions into the open-ended senior secured loan funds, ICM Global Floating Rate Income Fund and The Mount Row (Levered) Fund totalled $125 million.

Assets under Management (‘AUM’)[1,2]

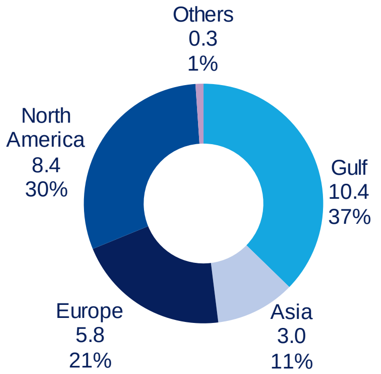
As of March 31, 2020, total AUM across all products, including proprietary co-investments was $31.0 billion and total client AUM was $27.9 billion.

Total AUM ($ billion): 31.0





Client AUM ($ billion): 27.9



[1] AUM includes approximately $3.4 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

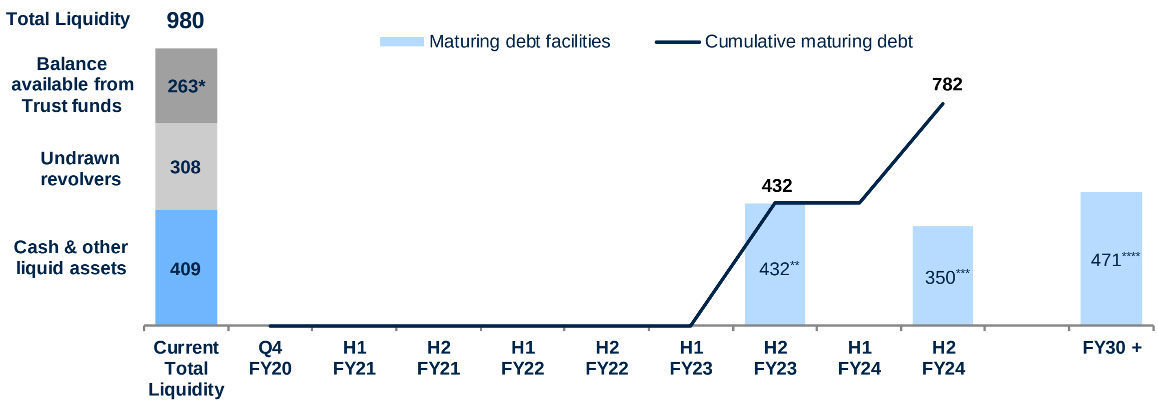
[2] Real estate investments are stated at gross asset value

Key Balance Sheet Metrics

	Mar'20	Dec'19
Total assets ($ billion)	2.8	2.7
Leverage ratio[3]	0.8x	1.3x
Net leverage ratio[4]	0.4x	0.6x
Co-investments[5]/(total equity + long term capital[6])	0.5x	0.6x
Total accessible liquidity ($ billion)[7]	0.7	0.8

Co-investment assets remain fully covered by permanent and long-term sources of capital.

Liquidity cover ($ million)



* $263 million balance available from trust funds as at March 31, 2020 on a call basis. The amount is subject to change based on available liquidity of trust funds.
** Syndicated revolving facilities - includes €76 million ($83 million at current exchange rates)
*** Syndicated revolving facilities
**** JPY 37 billion ($342 million at current exchange rates) debt maturing in FY30, €36 million ($39 million at current exchange rates) debt maturing in FY31, €37 million ($40 million at current exchange rates) debt maturing in FY32 & $50 million maturing in FY33

Accessible liquidity, comprising undrawn committed revolving facilities, balance available from trust funds plus balance sheet cash and other liquid assets was $1.0 billion.

[3] Calculated in accordance with bond covenants
[4] Calculated in accordance with bank loan covenants which is net of liquidity and underwriting
[5] Excludes underwriting and is net of revolving facilities secured against absolute return investments and credit management co-investments
[6] JPY 37 billion debt maturing in FY30, €36 million debt maturing in FY31, €37 million debt maturing in FY32, $50 million debt maturing in FY33, deferred fees and total equity
[7] Cash, placements with financial institutions and undrawn revolvers. Excludes $263 million (as at March 31, 2020) and $241 million (as at December 31, 2019) balance available from trust funds on a call basis. The amount is subject to change based on available liquidity of trust funds.

Credit Ratings

Agency	Rating grade	Comment
Fitch Ratings	BB / Stable Outlook	Rating confirmed and outlook revised to ‘Stable’ from Positive in April 2020
Moody’s Investor Service	Ba2 / Stable Outlook	Rating and outlook confirmed in October 2019

In April 2020, Fitch Ratings affirmed the Long-Term Issuer Default Rating (IDR) and Short-Term IDR of Investcorp Holdings B.S.C. and its related entities at “BB” and “B” respectively. The Rating Outlook has been revised to Stable from Positive. The Outlook revision reflects Fitch’s view of the impact the global coronavirus pandemic will have on Investcorp’s ability to execute on its strategic initiatives over the next 12-18 months, including continued growth in assets under management (AUM), the institutionalization of its investor base and the ability to expand committed capital fund structures. While Fitch believes there is upside potential to Investcorp’s rating over time, it will likely be pushed out beyond Fitch’s outlook horizon.

In October 2019, 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.”

Other Corporate News

Investcorp holds its Board Meeting in Oman

In January, Investcorp held its Board of Directors meeting in Oman, which marks the second time the Firm has convened its Board in the Sultanate in the last two years. The meeting represented Investcorp's first Board meeting in the calendar year 2020 and follows the appointment of a number of new independent directors to the Board in September 2019 who are international professionals with a diverse range of skills and expertise to further assist the development of the Firm. During the meeting, the Board discussed the Firm's progress executing on its growth and diversification strategy, including its expansion in Asia. The meeting also addressed opportunities and challenges across global markets as well as the promising long-term potential of Oman's 2040 Vision.

Investcorp and HC Technologies partner to launch HC Capital Advisors

In February, Investcorp and HC Technologies ("HC Tech"), a global technology-driven quantitative and algorithmic trading firm, jointly announced that they are partnering together to launch HC Capital Advisors. HC Capital Advisors is a multi-manager platform that allows its portfolio managers to leverage HC Tech's established proprietary technology, enhanced trading solutions and extensive network of data resources coupled with Investcorp's strong distribution capabilities and its Absolute Return Investments team's experience growing successful hedge fund businesses. Together, Investcorp's Absolute Return Investments business and HC Tech will support new quantitative hedge fund strategies run by professionals on the HC Capital Advisors platform to invest across a wide range of asset classes.

Sir Gerry Grimstone appointed House of Lords and Minister of State of British government

In March, Sir Gerry Grimstone was appointed by the British Government as a Lord and Minister of State, serving jointly at the Department for International Trade and the Department for Business, Energy and Industrial Strategy. In connection with his new role, Sir Gerry Grimstone stepped down as Chairman of Investcorp and Aberdeen Standard Investments (ASI) joint-venture and also resigned from the Investcorp Holdings Board of Directors. Investcorp and ASI will commence a process to identify a new Chairman whilst continuing to focus on the multitude of Gulf infrastructure opportunities that exist as the GCC region continues to develop at pace.

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