INVESTCORP

BUSINESS REVIEW

Fiscal Year 2020

For the period July 1, 2019 to June 30, 2020

Message from the Executive Chairman

"The growth and diversification strategy we introduced in 2015 has helped increase our Firm's resilience during challenging periods by offering a stronger and more diverse, multi-asset class, global platform. The unprecedented global impact of the COVID-19 pandemic negatively affected our results. We continue to remain confident in our growth strategy, having entered this crisis and approaching our 2021 fiscal year in a position of strength with now $1.2 billion in accessible liquidity and $32.2 billion in AUM.

"While the short-term economic outlook remains uncertain due to the ongoing pandemic, we are committed to advancing our growth strategy and reaching $50 billion in AUM over the medium term. As we move forward, we will continue to leverage our fundamental strengths, including our world-class talent, robust balance sheet and increasingly global and diversified platform to meet our clients' needs with innovative investment solutions."

Mohammed Alardhi
Executive Chairman

CONTENTS

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 in assets under management, including:

Inorganic Growth

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

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

Successfully entered into a 50/50 joint venture by merging Investcorp's Absolute Return Investments (ARI) business and Tages Capital LLP, the absolute return and multi-manager solutions subsidiary of Tages Group, to form Investcorp-Tages Limited

Fundraising Platform

Announced the fully subscribed final closing of approximately €340 million in commitments for Italian Distressed Loan Fund II

The credit management business held the final close of the Mount Row (Levered) Credit Fund with capital commitments of €318 million, exceeding its target of €300 million

Raised the initial amount of approximately $100 million of new commitments for the first fund of the newly formed Strategic Capital Group

Fully placed first private equity deal-by-deal investment, NephroPlus, in India

Raised $65 million of anchor commitments to launch an Indian Real Estate Direct Lending Initiative that will focus on providing finance to projects in the affordable and mid-market housing segment in the top seven cities in India

Investment Platform

Launched an investment platform jointly with China Resources Capital Management Limited and Fung Strategic Holdings Limited, the first-ever private equity platform dedicated solely to investing in food brands in Asia, specifically China, Singapore and greater Southeast Asia. In April the fund had its first closing at $275 million

COVID-19

The COVID-19 pandemic has had an unprecedented negative impact on the global economy. The onset of the pandemic and the necessary containment efforts have challenged individual companies, end markets, supply chains and workforce productivity, each of which can lead to material declines in revenues and cash flows. The extraordinary commitment of governments globally through monetary and fiscal policies announced and/or implemented over the last several months will assist individuals, companies and economies to emerge from this crisis. Investcorp has implemented a crisis management plan to ensure business continuity and to safeguard the investments it manages through this turbulent period while keeping an eye out for accretive opportunities. Investcorp is also prioritizing the protection of the health, safety and wellbeing of its employees, clients and other stakeholders. Investcorp's crisis management team has established an agile response protocol to the evolving situation, with taskforces led by senior management and expert advisers with representation from around the world. The team continues to discuss the situation daily and remains vigilant to the changing circumstances utilizing guidance from global governments and health authorities. Specific changes to the Firm's business practice and other management measures were implemented to reduce the impact on day-to-day activities and the ability to service Investcorp's clients, as described below.

People and operations

Consistent with Investcorp's commitment to protecting the health and safety of its employees and stakeholders, as of mid-March, Investcorp's offices in all locations were closed for routine, day-to-day activities. The Firm moved seamlessly to working from home and while this period has been challenging in new and unprecedented ways, the following measures were implemented to ensure cohesive teams and strong employee morale during the crisis:

- Full support provided to all employees while working from home on an individual and personal basis by local Human Resources and Technology teams to ensure they were engaged, enabled and productive.
- Regular updates from the management team held virtually via firm-wide townhalls, connecting employees from all global offices, and providing updates on the Firm's performance, both from a business and financial perspective followed by a Q&A session, which ensures all employees are kept well informed.
- Restrictions to business travel were put in place by location according to guidance from the relevant governments and health authorities. Ongoing updates are provided to employees as travel restrictions are rapidly changing and borders reopening.
- As the pandemic and related crisis evolves, a decision was taken to re-open Investcorp's Gulf offices mid-May in a carefully controlled and managed way and in compliance with local government requirements. The re-opening was very gradual and phased with extensive new measures, protocols and procedures in place to ensure the health and safety of the Firm's employees. Employees are currently given full flexibility to work from home or attend the office, as deemed appropriate for their personal circumstances.
- Current plans are to re-open the London and New York offices at the beginning of September, and the Firm is monitoring the situation in Mumbai but has not set a date given the currently evolving situation in India. As in Bahrain, re-opening will be a carefully controlled and managed process in all offices, in line with the guidance of local authorities and global best practice, to ensure health and safety remains a top priority.

Technology

Investcorp's key priority is to ensure effective continuity of business operations and managing the stability of the IT systems while implementing social distancing and ensuring each employee's safety. Investcorp's systems were closely monitored and have performed strongly. IT support was provided effectively to all employees via bi-weekly tips and guides and regular training to enable the employees to continue to work seamlessly while performing remotely. Effective and reliable video and audio teleconferencing software are available to all employees along with any specific hardware that is essential for the employee's role.

Liquidity

Investcorp entered the crisis with a solid capital and liquidity position. As the situation evolves, Investcorp's balance sheet has capital to cushion mark-to-market declines and ample liquidity to support a stress case scenario. Total balance sheet equity is $0.9 billion, which fully supports co-investments on the balance sheet. Investcorp currently has accessible liquidity in excess of $1.2 billion and no debt maturing until mid-2023. Investcorp remains positive and focused on the key competitive advantages of a solid balance sheet, its strong investor franchise, and a long-dated track record of performance through global crises that will position the Firm to successfully navigate through this environment.

Valuation approach at June 30, 2020

At June 30, 2020, Investcorp's approach to valuation was substantially consistent with its normal process and valuation policy. A key focus of the portfolio fair value at June 30, 2020 was an assessment of the impact of the COVID-19 pandemic on each investment. Investcorp's approach considered the performance of each investment exposure before the outbreak of COVID-19, the projected short-term impact on each investment's ability to generate earnings and cash flow and also Investcorp's longer-term view of each investment's ability to recover and perform against their investment cases. Given the diversity of Investcorp's portfolio, the impact has been varied, based on type of underlying exposure, industry exposure, expected recovery from the current crisis and current market inputs. Management continues to monitor the impact that the COVID-19 pandemic has on the Group and its investments.

Portfolio management

Investcorp's investments teams continue to work with management teams of individual underlying investee companies to navigate through this downturn. Portfolio companies are using scenario planning and taking actions to identify and mitigate potential impacts as well as to capture any accretive opportunities resulting from the dislocation in markets.

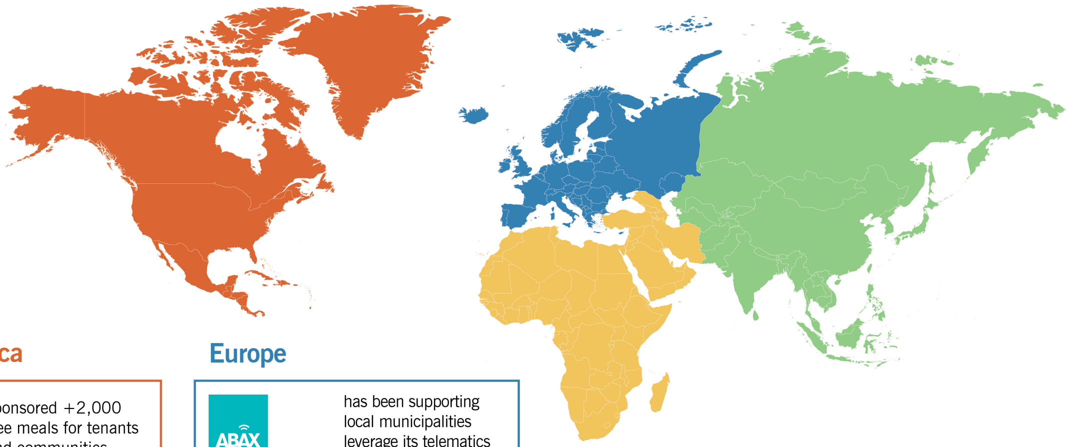
Supporting our Communities in responding to COVID-19

Investcorp is committed to helping the communities in which it operates address the many urgent needs stemming from the COVID-19 pandemic. The Firm believes its responsibility goes beyond excellence in investing to support broader issues of social good across all aspects of Investcorp's business and geographies. The Firm, along with its portfolio companies across the world are leveraging their expertise and resources to help those in need, providing critical equipment, free services and generous donations. Further information is available on the following page.

INVESTCORP

SUPPORTING OUR COMMUNITIES IN RESPONDING TO COVID-19

Investcorp is committed to helping the communities in which it operates address the many urgent needs stemming from the COVID-19 pandemic. The Firm believes its responsibility goes beyond excellence in investing to support broader issues of social good across all aspects of Investcorp's business and geographies. The Firm, along with its portfolio companies across the world are leveraging their expertise and resources to help those in need, providing critical equipment, free services and generous donations.



North America

INVESTCORP	sponsored +2,000 free meals for tenants and communities across our US residential properties.
AlixPartners	is supporting numerous pro-bono engagements to help companies retool manufacturing to produce critical medical supplies.
FORTUNE INTERNATIONAL	has partnered with Chicago-based food pantry, Lakeview Pantry, to donate food and supplies to families impacted by COVID-19.
ICR	has donated +7,000 masks to its local communities, and medical workers at Norwalk Hospital and St. Vincent's Hospital in Connecticut as well as Emory Hospital in Atlanta.
REVATURE	has launched a program to provide +2,000 hours of free virtual coding courses to essential workers and their families.
uta UNITED TALENT AGENCY	is helping families stay safe and entertained at home by working with clients to produce free, livestreamed performances, concerts, interviews and more.

Europe

ABAX	has been supporting local municipalities leverage its telematics solutions to digitalize critical, societal infrastructure and enable contact tracing with the coronavirus.
Avira	has introduced free trial versions of its premium antivirus software suite "Prime" for consumers in regions most affected by COVID-19.
DAINESE	launched a new campaign (protect those who protect us) – to raise funds to provide medical equipment to protect doctors and healthcare professionals.
eviivo	launched www.staysforheroes.com together with its customers to provide 15,000 hotel rooms across the UK for NHS staff and key workers.
impero	is offering a freemium version of the company's "back:drop" solution to customers in the educational sector.
softgarden	has launched the Jobs2Live initiative, a free job portal for essential jobs across Germany.
Ubisense	is using its real-time location system to help companies return-to-work safely with social distancing and contact tracing.

Middle East & North Africa

INVESTCORP	contributed US $1 million to the Royal Humanitarian Foundation to support its COVID-19 relief campaign.
مختبرات البرج الطبية Al Borg Medical Laboratories	has provided +20,000 COVID-19 tests in Saudi Arabia and the UAE.
NAMET	donated 14 ventilators to 4 hospitals in Turkey.
REEM HOSPITAL مستشفى	opened an 80-bed hospital in Abu Dhabi in 15 days in response to the pandemic.
ذيب Theeb لتأجير السيارات Rent a Car	in Saudi Arabia is supporting the mobility of individuals with special needs by providing specialized retrofitted cars for free, and also donated 100,000 Saudi Riyals to the "Health Endowment Fund".
tiryaki Good people. Good earth.	donated 95 tons of grains and pulses to various municipalities across Turkey.

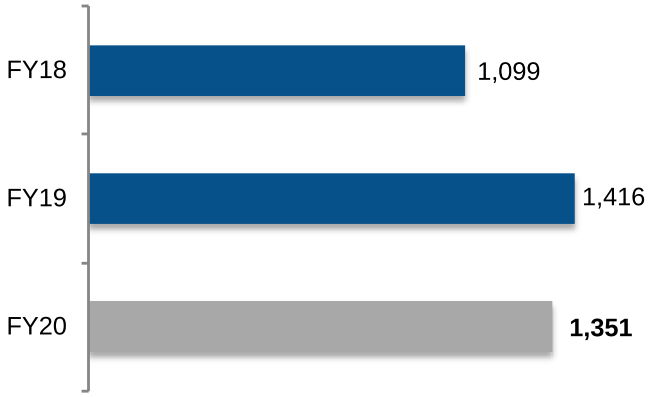
Asia

INVESTCORP	donated 25,000 face masks and 65,000 medical gowns.
Bewakoof®	has transformed its manufacturing to produce masks, sanitizers, personal protective equipment (PPE) kits, supplying +100,000 masks.
indis	has distributed essential and non-perishable food items, including 20,000 packets of bread, 1000 Kg of fruit and 50,000 water sachets.
InCred	launched an InCred for Humanity campaign, organizing distribution of free meals and essential supplies to families impacted by the lockdown across India.
Intergrow	has been distributing meal kits to families across India, helped install hand washing stations in public places, and donated INR 10 million to the Chief Minister Relief Fund & +1,000 PPE kits to the Indian Medical Association.

Investment activity ($m)

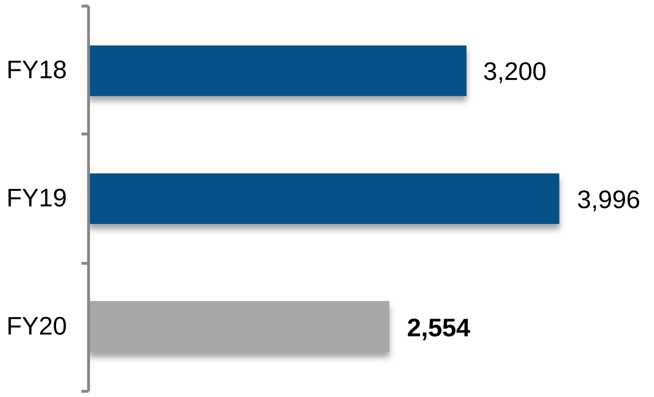
Significant levels of activity achieved with $3.1 billion of aggregate investment across Investcorp's businesses, a 8% year-on-year increase

Deal-by-deal fundraising ($m)



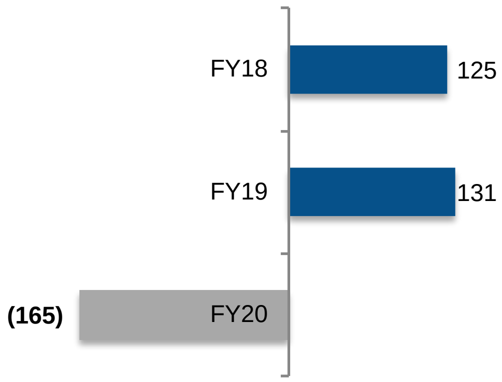
Deal-by-deal fundraising of $1.4 billion was achieved, reflecting continued strong client demand in both private equity and real estate.

Realizations and distributions ($m)



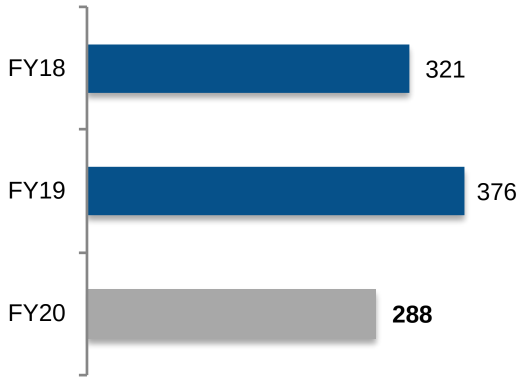
Distributions to Investcorp and its clients from investment realizations and other distributions decreased to $2.6 billion

Results for the year ($m)



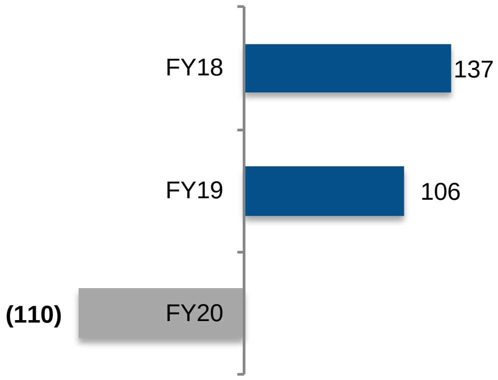
Results for the year were at a loss of $165 million due to the dramatic change in the macro-economic and fiscal environment as a result of COVID-19

Fee income ($m)



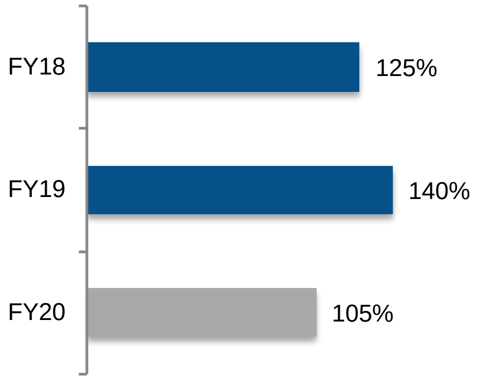
The COVID-19 crisis impacted the Firm's profitability as fee income contracted to $288 million, a decline of 23% driven by a decline in both AUM fees and deal fees

Asset-based income ($m)



Asset-based losses of $110 million largely attributable to fair value declines related to a limited number of assets operating in secularly challenged industries, mainly retail

Fee income / operating expenses



Fee income continues to cover operating expenses despite impact on profitability due to COVID-19

Shareholder KPIs

($2.57)	$10.07
Fully diluted EPS	Book Value per share

Balance sheet KPIs

Jun-19	Jun-20	
$2.4b	**$2.1b**	**Total assets** decreased primarily due to lower co-investments
$1.1b	**$0.9b**	**Total equity** decreased due to loss for the year
$1.1b	**$1.2b**	**Accessible liquidity** substantially covers all outstanding medium-term debt
0.4x	**0.6x**	**Net leverage** remains below 1.0x
0.5x	**0.6x**	**Co-investments** / **permanent & long-term capital** remains below 1.0x

Investcorp's key performance indicators:

	FY16	FY17	FY18	FY19	FY20
Fee income ($m)	307	320	321	376	**288**
Asset-based income ($m)	76	102	133	89	**(110)**
Gross operating income ($m)	383	422	454	465	**178**
Fee income / operating expenses*	140%	137%	125%	140%	**105%**
Return on average assets	4%	5%	5%	5%	**(4%)**
Diluted earnings per share ($)	0.94	1.25	1.30	1.47	**(2.57)**
Book value per share ($)	10.15	11.10	12.13	13.26	**10.07**
Dividend per ordinary share ($)	0.24	0.24	0.24	0.30	**0.10**

* Excluding tax

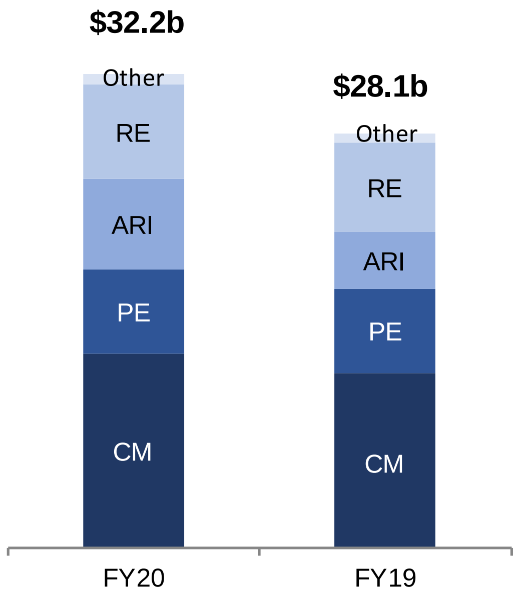
Total AUM ($ billions)

Private equity AUM (including strategic investments) remained steady at $5.8 billion, as new fundraising was largely offset by exits and COVID-19 related writedowns

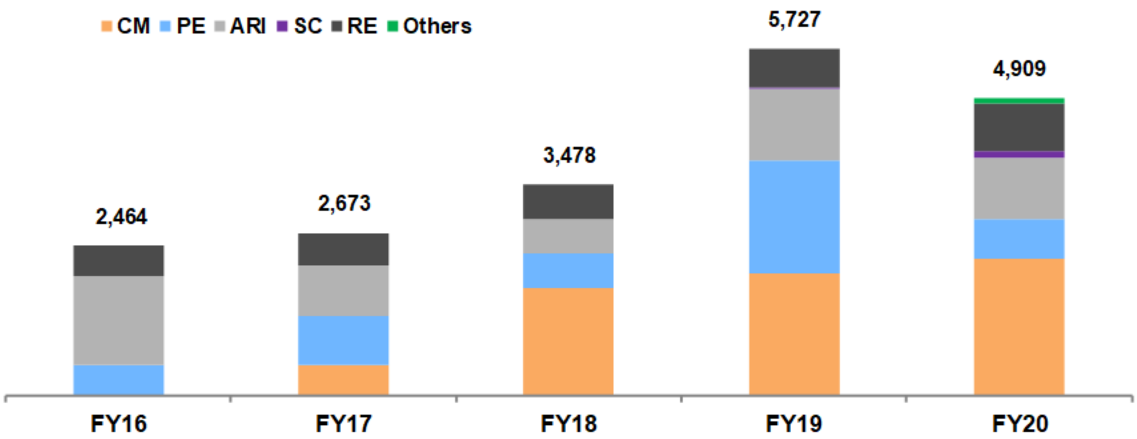
Real estate AUM increased by 5% during the year to $6.4 billion due to the acquisition and placement of new portfolios

Absolute return investments AUM has increased by 61% to $6.1 billion, due to strong organic fundraising and also due to the addition of AUM following the joint venture with Tages Group

Credit management AUM increased by 11% to $13.1 billion primarily due to the issuance/pricing of five new CLO's and the acquisition of CM Investment Partners



Total Fundraising – by asset class ($ millions)



Fundraising ($ millions)

Total fundraising was $4.9 billion (and in addition to the amounts listed below, also includes $62 million of uninvested commitments from a cross asset mandate)

Private equity

$668

$599 million raised from clients in private equity deal-by-deal investments including new commitments into institutional investor programs. Private equity deal-by-deal fundraising includes the placement of Vivaticket, Acura, NephroPlus and Fortune International

$70 million raised from clients for the Asia Food Fund

Real estate

$795

$730 million raised from clients across six new portfolios, two portfolios carried over from the previous year and new commitments into institutional investor programs

$65 million raised for the new Indian real estate direct lending initiative.

Absolute return investments

$1,011

$859 million was raised for the Firm's hedge funds partnerships platform

$108 million was raised for special opportunities portfolios

$42 million was raised for the Firm's multi-manager solutions platform

$2 million was raised for alt-risk premia

Credit management

$2,249

$1,865 million was raised from the issuance/pricing of five new CLOs

$201 million of new subscriptions into the open-ended senior secured loan fund, ICM Global Floating Rate Income Fund

$161 million was raised from clients for Mount Row (Levered) Credit Fund and the European risk retention fund for CLO's

$23 million was raised for a new Credit Opportunities Portfolio Product

Strategic capital

$98

$98 million of new commitments raised at the time of first closing for Investcorp Strategic Capital Partners Fund

Banque Pâris Bertrand

$26

$26 million raised for Banque Pâris Bertrand private banking products

Investment Activity

Private Equity

ZoloStays Consumer services Bengaluru, India	**Avira** Technology – Security Tettnang, Germany	**Fortune International** Distribution – Supply chain services Illinois, US	**NephroPlus** Healthcare Hyderabad, India
Intergrow Packaged foods Kerala, India	**Bewakoof** Consumer & retail Mumbai, India	**Vivaticket** Business services Bologna, Italy	**Contentserv** Technology – Big data Ermatingen, Switzerland

$624 million…

… the aggregate capital deployed in ***eight new private equity investments, one strategic investment in a third-party technology-focused fund in the US*** *and twelve existing portfolio investments*

Credit Management

Jamestown CLO XIV (Warehoused from FY19) **$357 million**	**Harvest CLO XXII** (Warehoused from FY19) **€220 million**	**Harvest CLO XXIII** (Warehoused from FY19) **€406 million**
Jamestown CLO XV **$402 million**	**Harvest CLO XXIV** **€199 million**	**Mount Row (Levered) Credit Fund** **€118 million**

$1.8 billion…

… the aggregate investment in three carried forward CLO's, two new CLO's and The Mount Row (Levered) Credit Fund for the ***credit management business***

Real Estate

2019 US Industrial & Logistics Portfolio

Type: Industrial properties
Locations: Charlotte Metro, North Carolina; Chicago Metro, Illinois and Dallas Metro, Texas
No. of properties: 76

UK Industrial & Logistics III Portfolio

Type: Industrial and logistics properties
Locations: St Helens[1], Uddingston[1], Blantyre[1], Manchester[1], Birmingham[1], Leeds[2] and Livingston[1]
No. of properties: 10

535-545 Boylston Street

Type: Multi-tenanted office property
Location: Boston, Massachusetts
No. of properties: 1

2020 Residential Properties Portfolio

Type: Residential properties
Locations: Denver, Colorado[3]; Fort Lauderdale, Florida and Austin, Texas[3]
No. of properties: 5

2020 Southeast Industrial & Logistics Portfolio

Type: Industrial properties
Locations: Atlanta Metro, Georgia and Memphis Metro, Tennessee
No. of properties: 50

European Office Portfolio

Type: Office properties
Locations: Munich, Germany; Rotterdam, Netherlands and Brussels, Belgium
No. of properties: 3

2019 Multifamily II Portfolio[3]

Type: Residential properties
Locations: Orlando, Florida; Tampa, Florida; Philadelphia, Pennsylvania; Atlanta, Georgia; Raleigh, North Carolina and St. Louis, Missouri
No. of properties: 11

$627 million…

*…the aggregate capital deployed in **six new real estate portfolios,** and one additional residential property (options for this asset are being evaluated)*

[1] Signed and purchased in FY18 / FY19

[2] One property signed and purchased in FY19, one in FY20

[3] Signed and purchased in FY19

Exits & Distributions

Private Equity

TPx Communications Tech & Telecom California, US	**Tiryaki Agro** Consumer products – Trading and logistics Istanbul, Turkey	**SecureLink Group** Technology – Security Wommelgem, Belgium

$470 million…

… total ***private equity realization*** *proceeds and other distributions to Investcorp and its clients*

Private equity exits included the sale of **TPx Communications**, a provider of network and communications services headquartered in Los Angeles; the sale of **Tiryaki Agro**, the leading supply manager of organic and conventional agro commodities in the US, Europe and the Middle East and the sale of **SecureLink Group,** one of the largest cybersecurity infrastructure and managed services providers in Europe

Real Estate

$687 million…

*… total **real estate realization** proceeds and other distributions to Investcorp and its clients*

Significant real estate exits included the realizations of seven 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); **Boston & Denver Commercial Portfolio** (with the sale of Arapahoe & Inverness); **Southland and Arundel Mezzanine Portfolio** (with the realization of Southland Mezz) and **Chicago and Boston Industrial Portfolio** (with the sales of Chicago Cold Storage and Boston Metro Industrial Portfolio II)

A complete list of real estate properties realized in FY20 is below:

	**901 Fifth Avenue** Seattle, Washington		**Hampshire Hill** Minneapolis, Minnesota
	**Southwind Village** Minneapolis, Minnesota		**Bel Air Las Colinas** Dallas, Texas
	**Raleigh Multifamily Portfolio** Raleigh, North Carolina		**Arbors of Brentwood** Nashville, Tennessee
	**Raleigh Student Housing Portfolio** Raleigh, North Carolina		**Boston Metro Industrial Portfolio** Boston, Massachusetts
	**Centerpoint I & II** Denver, Colorado		**Cheshire** Cheshire, Connecticut
	**Arapahoe & Inverness** Denver, Colorado		**4050 Lofts** Tampa, Florida
	**Tower Plaza** San Francisco, California		**52nd Street – US Industrial & Logistics (Arizona Portfolio)** Phoenix, Arizona
	**Tysons Commerce Center** Tysons Corner, Virginia		**Chicago Cold Storage** Chicago, Illinois
	**Boston Metro Industrial Portfolio** Boston, Massachusetts		**Southland Mezz** Cutler Bay, Florida

Other Realizations and Distributions

A total of $32 million of distributions to Investcorp and its clients was made across all Special Opportunities Portfolios, primarily from Special Opportunities Portfolios IV, VI and VII.

Total credit management realization proceeds and other distributions to Investcorp and its clients amounted to $1.4 billion over the period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Adoption of Environmental, Social & Governance (ESG) Practices

Investcorp launched its policy on Socially Responsible Investing in early 2019. The Firm’s efforts on firmwide adoption and embedding of sound ESG practices since then have been evolving and gaining traction globally, where each business line has been adapting the application of a set of core principles to its markets and activities.

Following the launch of the policy, and with the opening of Investcorp’s India office in 2019, the Firm has accelerated its adoption of a common ESG framework, with an initial aim of becoming fully ESG aligned right at the outset for all its investment activities in India as a pilot, and then propagating these across the rest of the Firm worldwide.

Investcorp India has partnered with Cambridge Consulting Network (CCN), the principal student consulting group of University of Cambridge and one of the UK’s largest student run consultancies. Through the partnership, Investcorp India has developed an ESG framework that is modeled on the principles of Sustainability Accounting Standards Board (SASB) and will integrate ESG principles in its investment strategies, starting with a clear focus on ESG risk mitigation across all its investments and transitioning to being an active opportunity seeker over the medium-term.

In addition to existing negative screening around Human Rights, Procurement Practices and Emissions, Investcorp’s ESG framework for India will initially focus on three core issues – ethical business practices and anti-corruption, efficient utilization of energy and resources, and responsible employment. Through its focus on these core issues, Investcorp will seek to ensure the adoption and ongoing monitoring of sound Labor Practices, Occupational Health & Safety standards, Diversity & Equal Opportunity employment, best-in-class Governance & Transparency and Compliance across all its investments in India.

DIVERSITY AND INCLUSION

Commitment to Fostering a Diverse & Inclusive Workplace

Investcorp enhanced its diversity and inclusion initiatives across the Firm, including appointing a firmwide champion and leads for each global office. Within this role, they will look at various initiatives to promote all aspects of diversity and inclusion across the Firm globally in order to foster an environment of inclusion.

As part of these initiatives, the Firm launched a hiring strategy which will be implemented commencing in fiscal year 2021. As part of this strategy, before making a final offer for any open position, the Firm shall consider a shortlist of candidates, at least half of whom shall be diverse. The definition of diversity shall differ, depending on the circumstances of the role. Additionally, all employees and new hires will be required to undergo mandatory unconscious bias, diversity and inclusion training on an annual basis.

With the aim of increasing gender parity and advancing diversity and inclusion in the workplace, Investcorp has partnered with leading organizations through a number of different memberships, including with CEO Action, 30% Club, Level20, and 100 Women in Finance.

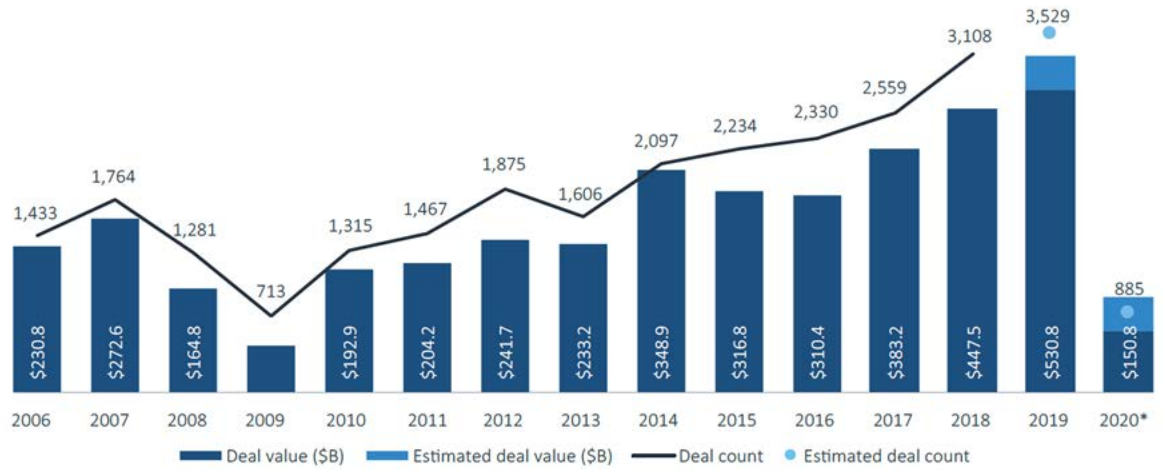
The Firm today employs approximately 450 employees representing 44 nationalities.

BUSINESS ENVIRONMENT

Private Equity – North America and Europe

In the US, 2019 calendar year[1] was another record-setting year for both deal value and transaction count. During the first quarter (Q1) of 2020, US middle market deal activity kept up with the elevated levels of 2019, with 885 middle-market transactions completed totaling $150.8 billion in deal value – increases of 14.2% and 31.3% year-over-year, respectively. According to Pitchbook, the value of these deals is the highest quarterly figure ever. However, the majority of Q1 deals were negotiated before the COVID-19 pandemic. The impact of COVID-19 on the US private equity (PE) middle-market will not materialize until the second quarter (Q2) and beyond.

US PE deal flow by year

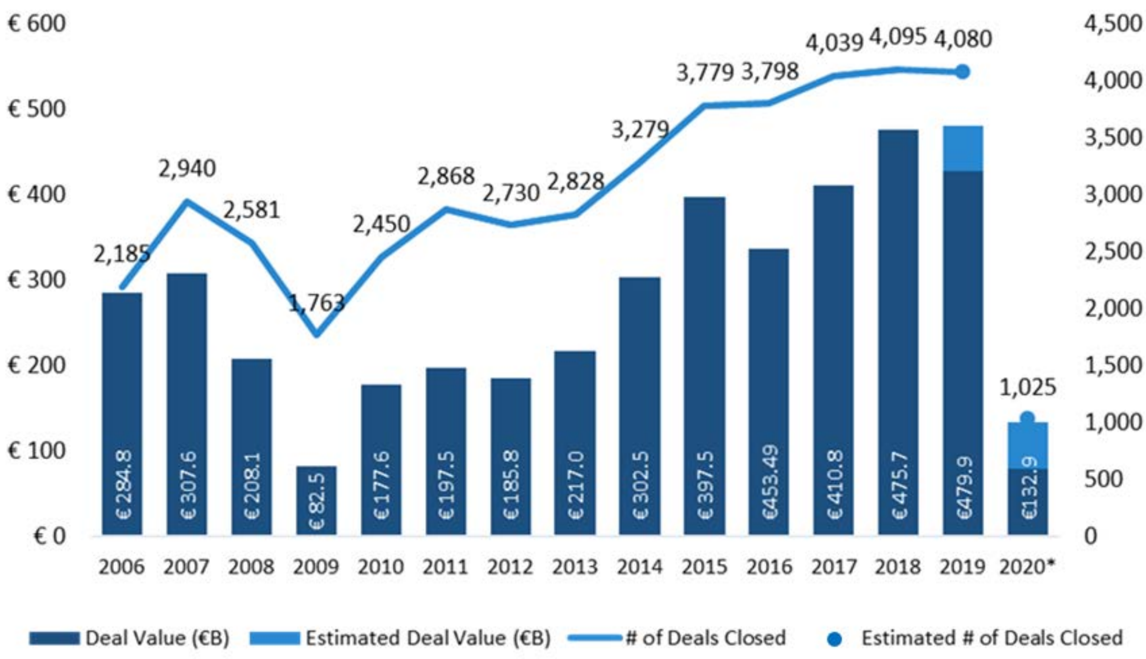


*As of March 31, 2020. Unknown values are estimated based on known figures.
Source: Pitchbook Q1 2020 US Breakdown Report

According to Pitchbook, in Europe, deal flow in Q1 2020 reached a new first-quarter peak which is set to see a pandemic related slowdown in Q2 and most likely in the remaining quarters of the year as the COVID-19 crisis unfolds. With 1,025 deals estimated to be completed and totaling to €132.9 billion during the first three months of the year, overall count is up approximately 6.2% compared to the same period in 2019. Deal value also increased by 40.4%. The increase was mainly due to four transactions above €2.5 billion which closed in Q1 2020 for an aggregate €18.1 billion, a considerable uptick from no closed mega-deals (€1 billion or higher) in Q1 2019 and average deal size ballooning to €282.6 million in Q1 2020. Competitive pricing levels for borrowers that still offered institutional investors compelling risk-adjusted returns, heightened certainty around Brexit and low interest encouraged credit flows to finance PE deals. Several deals that closed in Q1 2020 were priced in the fourth quarter (Q4) of 2019, where public equities' strong end to the year sustained PE's elevated multiples. The median four quarter rolling PE EV/EBITDA buyout multiple came in at 9.6x for Q1 2020, slightly lower than Q4 2019's 10.0x reading. M&A activities boomed in Q1 2020 accounting for 63.4% of deal volume, a new Q1 decade peak.

[1] All reference to dates in the business highlights section refer to calendar year, unless otherwise stated

Europe PE deal activity

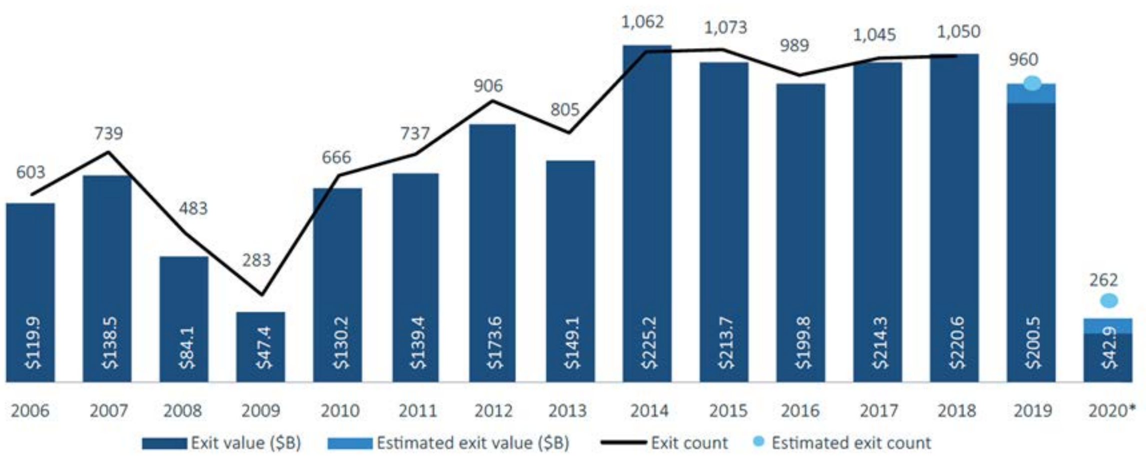


*As of March 31, 2020. Unknown values are estimated based on known figures.

Source: Pitchbook Q1 2020 European Breakdown Report

US middle-market exit activity was mixed in Q1 2020, with 262 transactions and an exit volume of $42.9 billion – representing a year-over-year gain of 21.3% and a decline of 7.9%, respectively. According to Pitchbook, these figures most likely fell due to public market declines at the beginning of the quarter, which weakened mark-to-market valuations and led some sellers to hold off selling at depressed prices. The true impact of COVID-19 has yet to be felt through the entire economy. Exit activity will most likely decline through to the end of 2020, as it is expected that general partners (GPs) will avoid exiting portfolio companies at discounts and will instead choose to hold assets for longer periods until the market improves. Select assets may be sold if they are particularly insulated from the downturn – but in general, it may be difficult for buyers and sellers to agree on a price in the current environment.

US PE-backed exits

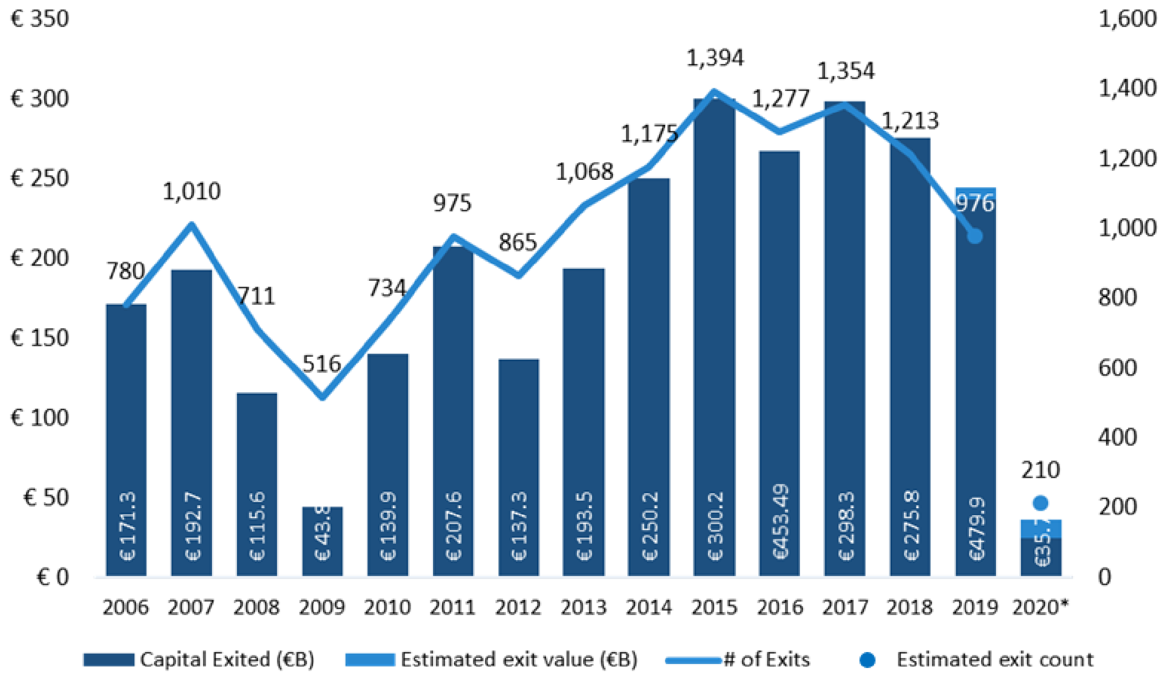


*As of March 31, 2020. Unknown values are estimated based on known figures.

Source: Pitchbook Q1 2020 US Breakdown Report

The number of European PE-backed exits continued to decrease in Q1 2020 totaling to €35.7 billion across 210 transactions, a decline of 17.2% and 21.5% year-on-year respectively. According to Pitchbook, exit activity is anticipated to fall further in the coming quarters as it is expected that GPs will avoid exiting portfolio companies at discounts due to the COVID-19 pandemic and will instead choose to hold assets for longer periods, therefore increasing median hold periods. In addition to this, global travel restrictions and work from home policies are in place, which is expected to contribute to low exit activity in the coming quarters.

European PE exit activity



*As of March 31, 2020. Unknown values are estimated based on known figures.

Source: Pitchbook Q1 2020 European Breakdown Report

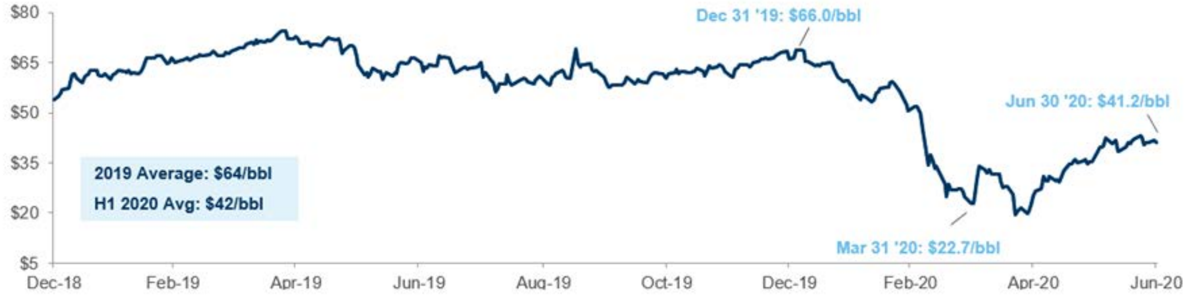
Private Equity – MENA

Brent crude oil prices fell from $66.0 per barrel as of December 31, 2019 to $22.7 per barrel as of March 31, 2020 which represents a decline of 66% in Q1 2020. This has severely impacted the demand side as the coronavirus pandemic led to a sudden stop in economic activity, moving countries into lockdowns and halting most forms of transportation, and particularly air travel. Oil prices were also pressured on the supply side after the collapse of the production cut agreement between OPEC members and Russia (OPEC+) in February 2020, sending oil prices into free fall as oil producers began to increase production to preserve market share. While the month of April 2020 witnessed a historical first when the West Texas Intermediate (WTI) futures' May 2020 contracts plunged to a negative $39 per barrel amid panic selling due to lack of storage facilities. Q2 2020 ended on a relatively positive note overall, with crude prices registering an increase of 81% versus Q1 2020.

On the supply side, the OPEC+ reconvened in April 2020 and agreed to cut output by a historic 9.7 million barrels per day from May 2020 through the end of June 2020. On June 6, 2020, OPEC+ agreed to extend the production cuts for an additional month until the end of July 2020. The cuts would then begin to taper from August 2020 through to the end of 2020 whereby 7.7 million barrels per day (bpd) would be taken offline, followed by 5.8 million bpd from January 2021 through April 2022. Oil prices in Q2 2020 also strengthened on the back of a slow recovery in demand, as several countries eased lockdown restrictions, as well as organic oil production cuts in the U.S.

Overall, crude oil prices averaged at $42 per barrel during the first half (H1) of 2020. The U.S. Energy Information Administration in its July 2020 report projects oil prices to average $41 per barrel in the second half (H2) of 2020 gradually recovering to $50 per barrel in 2021.

Brent Crude Oil Price: January 1, 2019 – June 30, 2020 ($bbl)



Source: Bloomberg

The GCC region has been hit by the two large and reinforcing shocks of the COVID-19 pandemic as well as the plunge in oil prices. The GCC governments were swift in announcing several containment measures to prevent the spread of the virus while also announcing large stimulus packages totaling approximately $200 billion. The stimulus packages consisting largely of monetary and one off budget measures amounted to nearly 30% of GDP in Bahrain (approximately $11 billion) and Oman (approximately $21 billion), more than 10% of GDP in Kuwait (approximately $18 billion), Qatar (approximately $23 billion) and UAE (approximately $77 billion), and more than 6% of GDP in Saudi Arabia (approximately $50 billion). GCC central banks also announced accommodative policy responses by cutting their reference rates by 75 bps – 125 bps and issuing support packages for their local economies.

In May 2020, Saudi Arabia announced a set of austerity measures valued at approximately $27 billion to curb the fiscal deficit pressured by low oil prices. Key measures included (1) a hike in VAT from 5% currently to 15%, which became effective as of July 1, 2020; (2) cancellation of the cost of living allowances for state employees from June 1, 2020; (3) rescheduling of approximately $2.7 billion of planned capital expenditure and; (4) rationalizing salaries of new government entities created recently and which are not directly a part of the civil services.

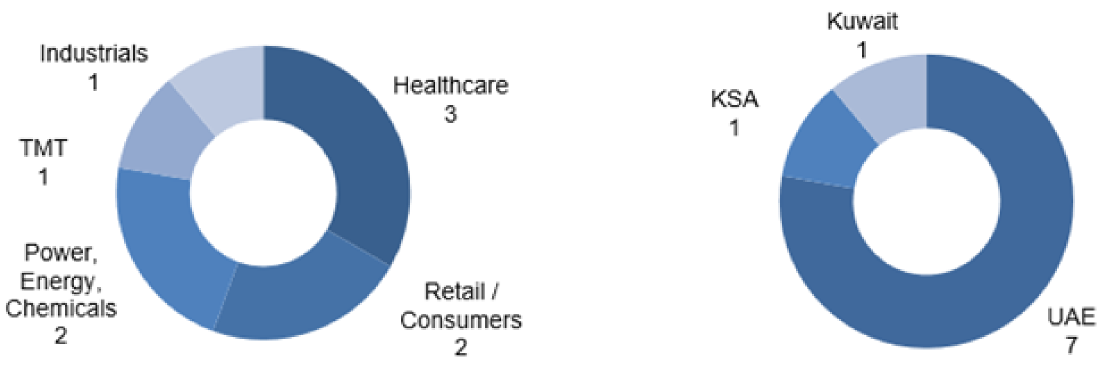
In its June 2020 World Economic Outlook update, the International Monetary Fund (IMF) revised its 2020 and 2021 real GDP growth forecasts for Saudi Arabia to -6.8% in 2020 (-2.3% forecasted in April 2020) and +3.1% in 2021 (+2.9% forecasted in April 2020). Saudi Arabia's budget deficit is projected at 11.4% of GDP in 2020 compared to 4.5% of GDP in 2019. The deficit is expected to moderate to 5.6% in 2021.

The IMF projects real GDP growth in the GCC to contract to -7.1% in 2020 (-2.7% forecasted in April 2020) before recovering to 2.1% in 2021 (+3.3% forecasted in April 2020). According to the IMF, the COVID-19 pandemic has had a more negative impact on activity in H1 2020 than anticipated, with recovery projected to be more gradual than previously forecasted.

The GCC stock exchanges registered only one IPO in H1 2020 in Saudi Arabia with total capital raised of approximately $700 million compared to three IPOs in H1 2019 with total capital raised of approximately $923 million.

H1 2020 recorded 28 M&A transactions in the GCC region, compared to 56 transactions in H1 2019 (-50%). A financial buyer led nine of these transactions in H1 2020 in line with H1 2019. Healthcare, Consumer / Retail, Power, Energy and Chemicals were the most active sectors, with the UAE being the most active market. During the same period, there were two exits by a financial investor.

Breakdown of GCC Private Equity Transactions in H1 2020 (January 1 – June 30, 2020)



Source: Merger Market, Investcorp Analysis as of June 30, 2020

Following a contraction in economic activity in H1 2019, the Turkish economy returned to growth in H2 2019, concluding with an overall real GDP growth of 0.9% in 2019. Real GDP continued to grow at 4.5% in Q1 2020 driven by a surge in government spending and household consumption, although the economy is likely to report a contraction in Q2 2020 due to the COVID-19 impact. In its June 2020 revised World Economic Outlook, the IMF maintained its 2020 and 2021 real GDP growth forecasts for Turkey projecting a decline of -5% in 2020 and a growth of +5% in 2021 in line with the forecast made in April 2020.

In H1 2020, the Central Bank of the Republic of Turkey further cut its benchmark interest rate from 12% in December 2019 to 8.25%. Inflation stood at 12.6% at the end of June 2020.

On the M&A front, Turkey recorded 33 M&A transactions in H1 2020 compared to 50 transactions in H1 2019 (-34%). A financial buyer led four of these transactions in line with H1 2019. During the same period, there were three exits by a financial investor.

Private Equity – India

2019 was another excellent year for PE investments. The year witnessed a surge of 13.8% in terms of value, while number of deals saw a marginal decline of 2.5% as compared to the same period last year. The year recorded 1,275 deals worth $34 billion, as compared to 1,308 deals worth $30 billion in 2018.

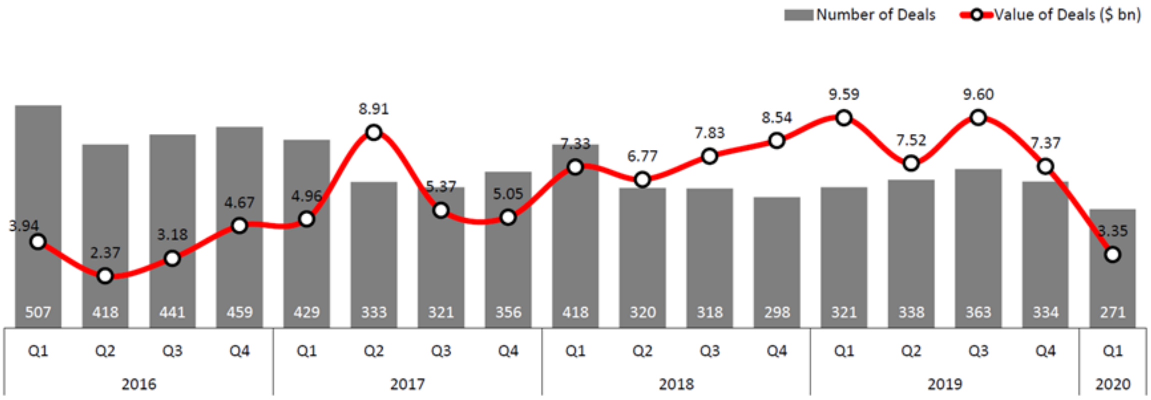
Q1 2020 has been tough for PE activity due to the COVID-19 pandemic and the ensuing global slowdown. In terms of overall activity, deal activity was at its lowest in the last five years, with 271 deals of $3.35 billion.

Deal Overview

In 2019, deal value touched an all-time high of $34 billion, attributed to 68 deals which received more than $100 million funding. Five of these deals had values in excess of $1 billion. Twelve investors invested more than $1 billion during the year, including two mega-deals. One was the $3.7 billion investment in Reliance Industries Ltd.'s telecom tower assets which was the single-biggest PE deal ever in India and the second was the $1.8 billion investment to acquire the East West Pipeline.

The information technology sector (which includes online businesses and software companies) saw 584 deals concluding in 2019, attracting the maximum attention of investors by contributing to 45.8% of the overall deal activity. This was followed by the consumer discretionary sector, were 237 deals were concluded in 2019 which contributed to 18.6% of the deal activity, though on a year-on-year basis it registered a marginal deal activity decline of 3.2% as compared to last year. In terms of deal value, the consumer discretionary sector recorded a 17.9% increase on a year-on-year basis as well as contributed 28.2% of the total PE deal value of 2019.

Deals Overview (by quarter)



Source: VC Edge

Q1 2020 showed substantial deterioration of 16% and 66% on a year-on-year basis in terms of number of deals and deal value respectively. Mean value of transactions fell drastically by 53% from $36.7 million to $17.2 million. Investors seemed to be extremely cautious, and this is clearly reflected in the sharp decline of the ticket-size in the quarter.

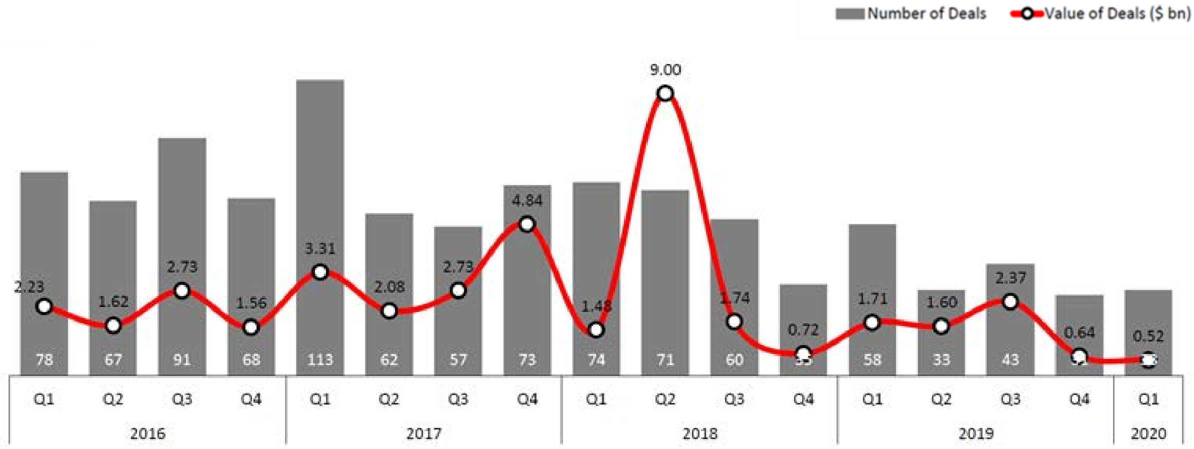
As PE moves forward, the sectors that are likely to attract investments include defensive sectors like technology, consumer goods (packaged essentials, personal and healthcare, food processing and retail), pharmaceuticals and sub-sectors like medical supply and services, biotech, agricultural products, education-tech, chemicals, and e-commerce.

Exit Overview

2019 was a slower year in terms of exits as compared to 2018, with 156 exits worth $6.0 billion, a five-year low in terms of volume and value. A number of events affected the overall exit momentum in 2019. Weak capital markets on the back of a sluggish economy caused investors to defer their exit or hold strategy until the economy shows increased growth and better returns can be expected.

PE exits continued to taper downwards during Q1 2020. Deal value dropped by 19% compared to the previous quarter, recording the lowest deal value since Q1 2016. The global pandemic, COVID-19 and its overall impact on the economy, including volatile stock markets and low valuations has made all investors either postpone or hold their exit plans due to high economic uncertainty. Deal activity also saw a drop of 43% on a year-on-year basis.

Exits Overview (by quarter)

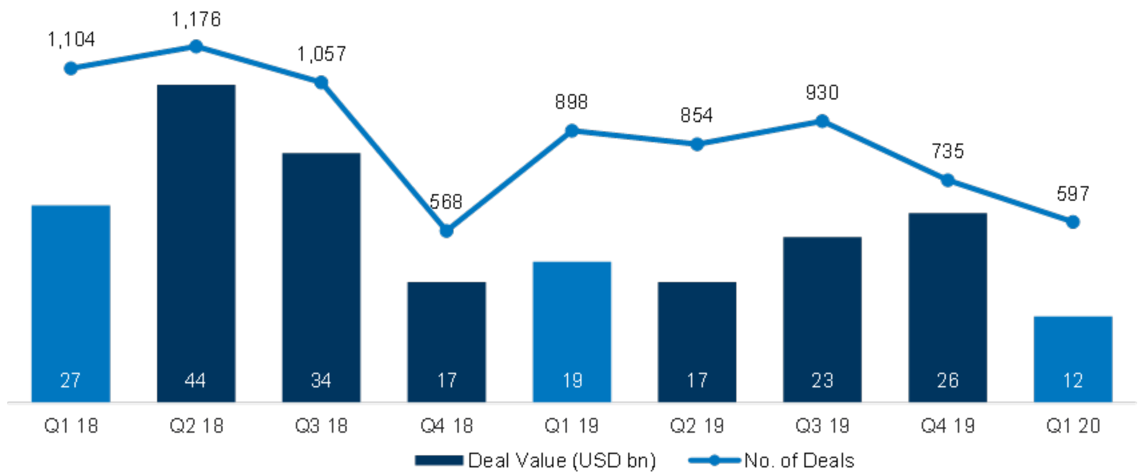


Source: VC Edge

Private Equity – Asia

In China, PE investment activities have shown some slow-down in Q1 2020 in terms of both volume and amount, mainly driven by COVID-19. As of Q1 2020, 597 PE transactions were announced in China, totaling $12 billion in deal value. Deals showed a decline of 33.5% and 38.7% on a year-over-year basis in terms of number of deals and deal value respectively. However, investment in IT, biotech/healthcare and internet remain highly active, which together account for approximately 58% of the total deal number in Q1 2020.

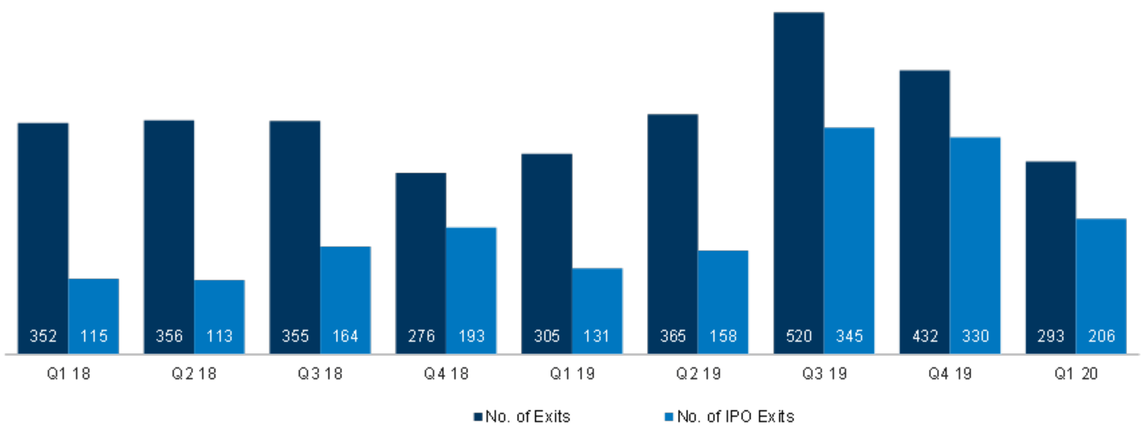
China PE deal activity



Source: PEdata as of March 31, 2020. Note: Assuming FX (USD/CNY) of 7.0.

As of Q1 2020, 293 PE transactions were announced in the China exit market – representing a year-over-year decrease of 3.9%. Of these transactions, 206 PE-backed IPO exits have taken place in Q1 2020, a 57.3% year-over-year increase, primarily driven by the increasing number of IPOs on the Sci-Tech Innovation Board.

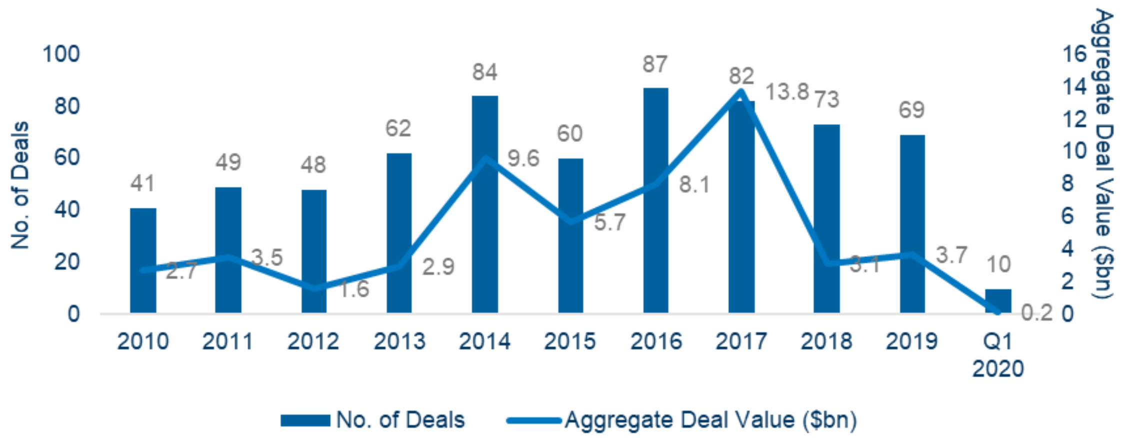
China PE exit activity



Source: PEdata as of March 31, 2020.

In Southeast Asia[2], PE investment activities have also been hit by COVID-19, with 2020 showing a noticeable slowing of deal activity versus recent years. Only 10 buyout deals closed in Q1 20 across ASEAN markets, putting 2020 on track to have the lowest number of deals since 2010. PE backed exits have similarly declined with only three PE backed companies managing to achieve an exit in Q1 2020.

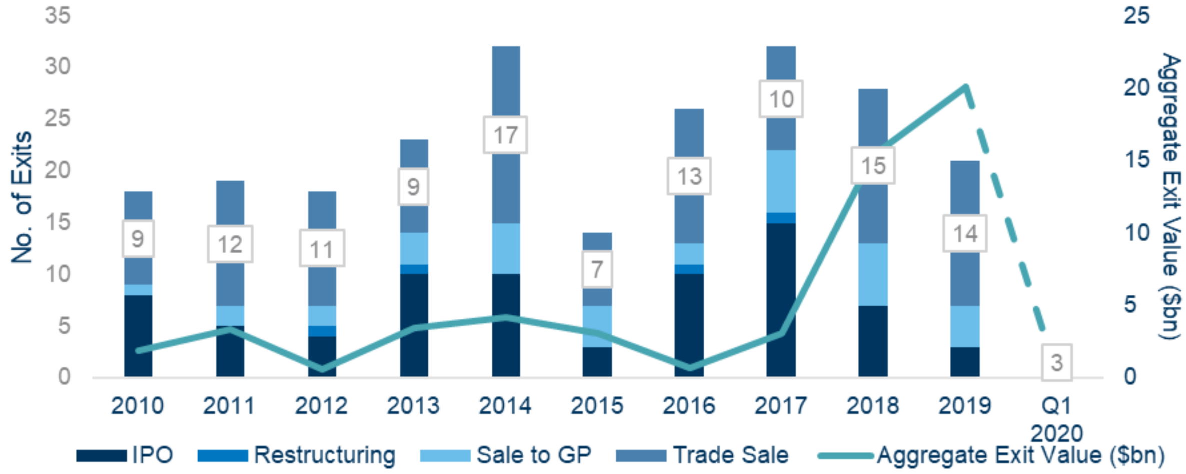
Private Equity-Backed Buyout Deals in ASEAN, 2010 – Q1 2020



Source: Preqin data as of June 30, 2020

[2] Southeast Asia & ASEAN are used interchangeably referring to nations in the Association of Southeast Asian Nations (Singapore, Malaysia, Indonesia, Brunei, Thailand, Vietnam, Cambodia, Laos, Myanmar and the Philippines)

Private Equity-Backed Buyout Exits in ASEAN by Type, 2010 - Q1 2020



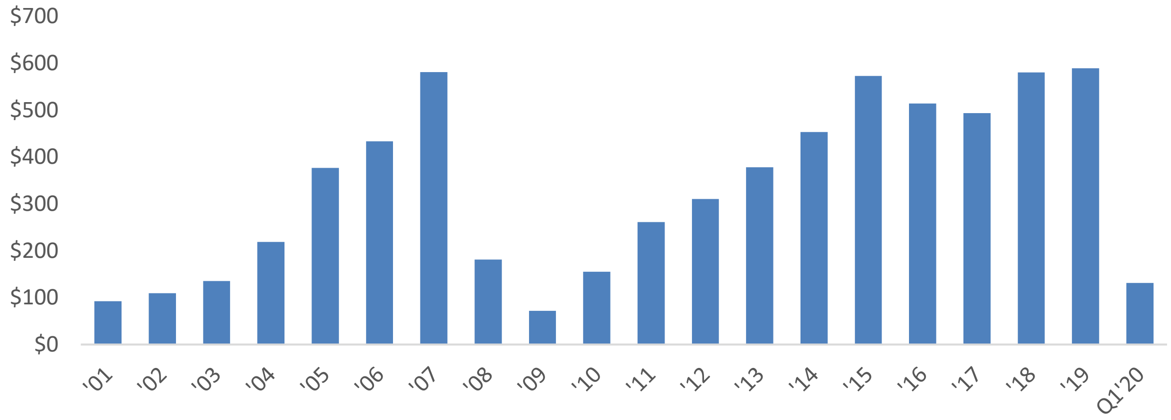
Source: Preqin data as of June 30, 2020

Notwithstanding COVID-19, there is reason for long-term investors in Southeast Asia to be positive. ASEAN remains an attractive market due to the structural tailwinds of a young growing populations, urbanization, and increasing FDI due to the ongoing reshuffling of manufacturing supply chains out of China and into Southeast Asia. ASEAN is also following China in the adoption of digital technology, and those sectors that may benefit from digitalization such as healthcare, financial services ('FinTech') and e-commerce / logistics have been particularly active. The healthcare market in ASEAN is expected to grow to $740 billion by 2025, a 70% increase from 2018. Roughly 70% of the working population in ASEAN countries is currently 'unbanked' giving significant opportunities to innovative financial services companies that can reach previously untapped customers. Finally, due to the twin effects of rising incomes and rising populations, e-commerce spending is set to nearly quadruple to $121 billion in 2025 from $31 billion in 2018.

Real Estate Investment – North America

Commercial real estate market fundamentals in the US remain relatively healthy across most asset classes, despite COVID-19 impacting the US real estate market in March. According to Real Capital Analytics, US real estate transaction volume was up 15% in Q1 2020 versus the same period a year prior, despite COVID-19 impacting the market towards the end of the quarter. Additionally, there was major growth in the sectors in which Investcorp real estate is currently active. Industrial sector sales volume was up 90% year-on-year as of Q1 2020, multifamily volume was up 3% year-on-year and office volume was up 6% year-on-year for the same period. However, it is expected that volume numbers will drop in Q2 2020 as COVID-19 began to affect the US market towards the end of March 2020. Further, despite the impact of COVID-19, Investcorp has seen high levels of rent collections since the onset of COVID-19 (in the mid to high 90% range through June) across the Investcorp US real estate portfolio.

Transaction Volume ($ billions)



Source: Real Capital Analytics, Inc. 2020

US market fundamentals for the **industrial sector** remained robust through Q1 2020. According to CBRE, net asking rents rose 4.8% year-on-year, vacancy stood at 4.5% (a near-record low) and 34 million sq. ft. of positive absorption was recorded, marking the 40th consecutive quarter of positive absorption. The stay-at-home orders in mid-March have increased demand for industrial space by grocery, home improvement and e-commerce users. Businesses servicing these industries have continued to expand, furthering the trends of prior years. US industrial demand remains strong; at 7.3% the availability rate remains below the long-term average of 9.5%. Low availability rates and strong leasing demand have resulted in sustained rent growth. The average net asking rent grew by 2.6% quarter-on-quarter as of Q1 2020 (4.8% year-on-year) to $7.86 per sq. ft. – the 34th consecutive quarter of rent growth, and the highest level since CBRE began tracking the metric in 1989. Industrial sector sales volume was up 90% year-on-year in Q1 2020. Strong Q1 2020 fundamentals, increased need for supply chain diversification and shifting consumer sentiment provide strong evidence of continued growth of the industrial sector.

US market fundamentals in the **"for rent" multifamily sector** remained solid during Q1 2020. According to CBRE, Q1 2020 was characterized by low vacancy, continued rent growth and active investment and financing markets. Q1 2020 vacancy was 4.2%, representing a 30-basis point reduction year-on-year. Average monthly rents rose to $1,750 per unit as of Q1 2020, representing a 2.7% year-on-year increase, which is in line with the 15-year historical average. For the year ending Q1 2020, 311,200 units were absorbed nationally, exceeding the 271,400 units delivered. Industry wide shutdowns and job cuts related to COVID-19 have had little impact on the multifamily sector. After state mandated stay-at-home orders, owners saw a significant increase in tenant renewals which offset any short-term reduction in new leasing and this has had the net effect of maintaining strong occupancy. According to the National Multifamily Housing Council, rent collections have remained in the low 90% range nationally across all sub-asset classes (Investcorp's portfolio has outpaced the market since the onset of COVID-19, with rent collections in the mid 90% range); this level is consistent with historical collections. Despite the impact of COVID-19, demand for Class B, renter-by-necessity, multifamily housing (Investcorp's main focus) has remained very strong. This is primarily due to most renter's increased desire to save additional discretionary capital, limiting renters' interest in more expensive Class A multifamily units or single-family-homes.

The **US office sector** remained stable in Q1 2020, despite the strict stay-at-home orders issued by most states in March 2020. Office-using employment generally remained insulated from significant job loss due to COVID-19 shutdowns, with most job losses seen in service industries. Furthermore, the technology industry saw job growth in office-using jobs. For Q1 2020, average office rents rose 4.3% year-on-year. Renewal activity increased, offsetting a slowdown in new leasing activity, resulting in overall office vacancy of 12.3% which was relatively flat compared to Q1 2019. Construction levels fell, partially due to mandated shutdowns in most states; this may result in delayed delivery dates of new construction and a reassessment of speculative projects. During Q1 2020, capitalization rates held steady at 5.3% for urban core assets and 6.7% for suburban office assets. The future performance of the office sector remains uncertain and is expected to be impacted by government policy developed in response to the COVID pandemic and business' determination of the effectiveness of having staff working remotely.

The **US student housing sector** has historically performed well during recessionary periods and was experiencing strong performance in both occupancy and revenue growth before COVID-19 impacted the US in Q1 2020. The impact of COVID-19 has led to subdued sales activity in 2020, however momentum is building as universities continue to announce campus re-openings in the Fall of 2020. A recent report by Newmark Knight Frank suggests that over 80% of schools already plan to fully re-open or have a component of in-person classes in the Fall of 2020. As universities open, students will continue to take occupancy at off-campus student housing communities. Further, off-campus student housing communities are expected to benefit from schools limiting the number of students allowed to live in university owned on-campus housing, which usually includes shared living facilities, double occupancy in bedrooms and shared dormitory style bathrooms. This differs from off-campus student housing communities which have bed to bath parity (one bathroom for every bed) and modernized facilities which can handle COVID-19 social distancing requirements. It is expected that the student housing asset class will continue to perform well despite COVID-19, as it is defensive in nature and has outperformed other asset classes in recent years.

Real Estate Investment – Europe

United Kingdom

The UK industrial and logistics sector performed well in H1 2020 despite the disruptions to the UK economy caused by COVID-19. Q2 2020 has seen the highest quarterly take-up figures on record as the COVID-19 lockdown has accelerated consumers' adoption of e-commerce. Take-up has totalled 19.0 million sq. ft. during the first half of 2020. This result represents a 29% increase year-on-year and is 11% above the 10-year average. Demand for large warehouses ("big boxes") has increased to the greatest extent as evidenced by the fact that e-commerce companies and third-party logistics firms accounted for approximately 57% of the floor space taken in the first half of 2020. A large increase in online retail spending has been a key driver in the demand spike, and whilst warehouse availability is low and continuing to decline heading into H2 2020, the appetite for logistics space is expected to continue to grow. Prime rents remain strong and have risen by 1.4% year-on-year. The market remains fundamentally strong, with rents continuing to rise, and investors' interest in the sector showing no signs of abating.

Investment volumes for industrial and logistics assets in the UK have declined by approximately 21% year-on-year during H1 2020 to around £2.2 billion. This is mainly due to a muted second quarter as the investment market paused due to COVID-19. Activity is expected to pick up in the second half of 2020 as both buyers and sellers are coming back to the market. Prime yields for logistic and industrial assets remain stable at 4.5%.

Germany

Germany's well-managed response to COVID-19 has reaffirmed the country's reputation as a beacon of stability. The German economy has suffered a shallower contraction and the country has been able to ease lockdown restrictions at an earlier stage than many of its peers. This is reflected in the performance of the German office market, which has remained stable during Q1 2020, the most recent quarter for which consistent data is available.

The ‘Big 7’ German office markets (Berlin, Cologne, Dusseldorf, Frankfurt, Hamburg, Munich and Stuttgart) recorded take-up of approximately 628,000 sq. m. in Q1 2020. This represents a 28% year-on-year decrease which is only partly due to COVID-19; the lack of suitable supply in the ‘Big 7’ office markets are also a significant reason for the decline in take-up. The aggregate vacancy rate across the ‘Big 7’ has remained unchanged since Q4 2019 at a record low of 2.9%. Prime rents have increased by 4.6% year-on-year.

There is a significant shortage of office space, particularly in central city locations; this shortage of available stock has left many companies unable to relocate. Unlike in previous market cycles, completions and supply have not kept pace with demand.

The Netherlands

The Netherlands responded to COVID-19 with a so-called “intelligent” lockdown which has allowed the Dutch office market to continue operating in a relatively normalized manner.

Take-up in Q1 2020, the most recent quarter for which data is available, amounted to approximately 293,000 sq. m.; this represents a 24% year-on-year decrease. Large transactions in the ‘G4’ region (Amsterdam, The Hague, Rotterdam and Utrecht) helped sustain take-up volumes. This underlines the demand for office space at strategic locations, especially at transit hubs. Due to limited development at these locations, there is persistent scarcity. Vacancy is continuing to trend downwards. The vacancy rate across the Dutch office market declined to 7.7% in Q1 2020 which compares favorably with Q4 2019 (7.9%) and Q1 2019 (10.0%).

The Dutch investment market has performed well in Q1 2020. Total commercial investment volumes in Q1 2020 reached €3.4 billion, of which approximately 28% relates to the office sector; this represents an increase of 11% compared to the same period last year. Prime office yields have remained stable at 2.85%.

Belgium

Belgium is among the worst affected European nations by COVID-19 on a per capita basis, and the Belgian government consequently imposed strict lockdown measures that have impacted activity in the office markets.

Take-up in the Brussels office market in Q1 2020, the most recent quarter for which data is available, was approximately 75,000 sq. m.; this represents a 66% decrease year-on-year and a 16% decrease compared to Q4 2019. The slowdown is mainly attributable to the COVID-19 lockdown and the “wait-and-see” approach taken by many office occupiers. Vacant office stock in Brussels has decreased steadily in recent years and as of March 2020, stood at approximately 900,000 sq. m. which reflects a 6.9% vacancy rate (down from 7.1% in Q4 2019), a record low. Prime rents in Brussels have remained stable in Q1 2020.

Commercial real estate investment activity in Brussels remained high in Q1 2020. Transaction volumes across all sectors in Belgium reached approximately €2.5 billion as of Q1 2020 – the best result on record. However, a single office sale contributed approximately 50% to the total. The Brussels office market accounted for 73% of total Belgian investment volume and experienced an 87% increase year-on-year. Prime yields have remained stable at 3.5%.

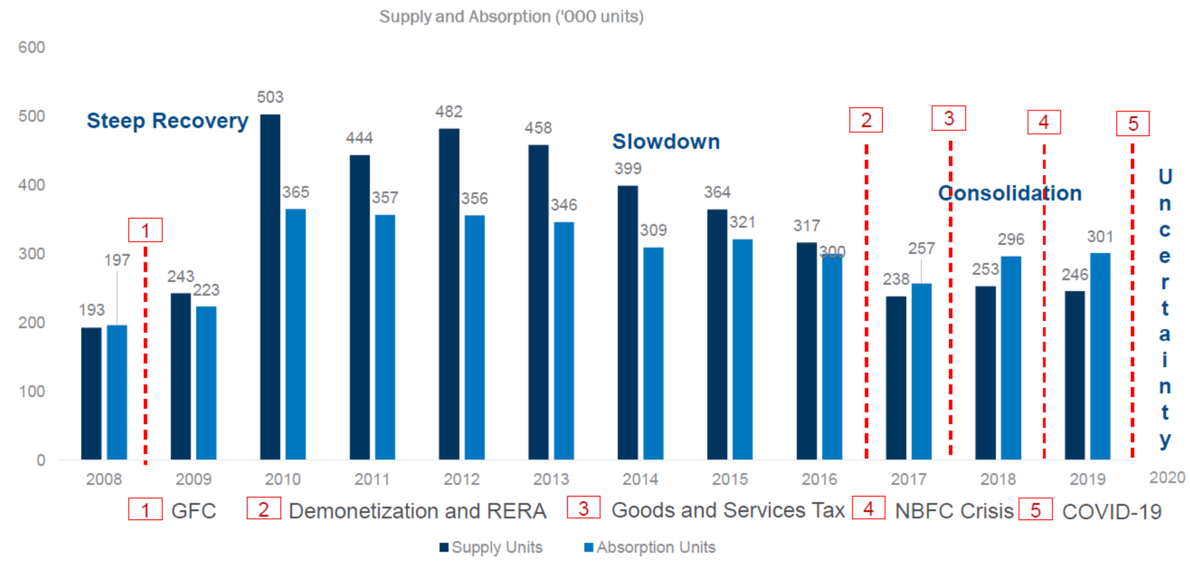
Real Estate Investment – India

The sector witnessed an overall investment of $6.8 billion in 2019 ($238 million, year-to-date 2020). The residential sector received approximately $717 million in 2019 ($40 million, year-to-date 2020), the commercial sector received approximately $2.9 billion in 2019 ($41 million, year-to-date 2020), and the retail & warehousing sector received approximately $2.8 billion in 2019 ($57 million, year-to-date 2020, nil in retail).

The implementation of various structural reforms in the real estate sector have caused an overall slowdown. The liquidity crisis which started in 2018 also continues and inflows from traditional sources (non-bank financing companies (NBFCs), public sector banks) or private equity remain subdued.

For the residential sector, 2019 was a slow year for sales growth and investor interest. Most activity was largely sustained by end-user activity focused on ready-to-move-in or almost-complete homes. In keeping with the new regulatory scenario, developers have been aligning themselves with the needs of homebuyers by reducing ticket-sizes and unit-sizes to encourage sales.

The housing sales value of India's top nine listed players touched INR108 Billion ($1.5 billion) in Q2 and Q3 2019, amounting to a 5% quarter-on-quarter growth. New launches in 2019 saw 18-20% annual growth and Q1 2020 saw a marginal (3%) uptick in launches. Sales saw a modest 4-5% annual growth in 2019 and decreased by 29% in Q1 2020, compared to the same period last year.



India's office market has significantly grown in the last decade and is at its peak. Six Indian cities featured on the list of top 10 cities in the Asia Pacific (APAC) region based on annual transaction volumes in 2019, finding a place ahead of cities such as Beijing, Singapore, Kuala Lumpur, and Hong Kong. India's first REIT received an overwhelming response and within just six months of its launch, its value increased over 37%. Thanks to REITs, India entered the league of mature markets in 2019.

Supply and absorption saw healthy growth in 2019, however Q1 2020 recorded a decline of 30% year-on-year compared to the same period last year. Vacancy levels came down to 12.8% in Q1 2020 from 13.3% in Q1 2019, largely due to pre-commitments for almost 4.9 million sq. ft of office space.

In 2019, most of the activity occurred in the information technology and information technology enabled services (IT/ITES) sector, including artificial intelligence (AI) and data security accounting for 41% of transacted volume in

H2 2019, compared to 31% in the previous period. Co-working spaces have seen prolific growth in 2019. Space taken by these operators has quintupled since H1 2017 to 5.5 million sq. ft in H1 2019, backed by a strong and growing demand for co-working spaces by entrepreneurs, tech start-ups and even big multi-national firms. IT/ITES and co-working occupiers drove new leasing activity during Q1 2020. While the share of IT/ITES occupiers in leasing increased to 56% in Q1 2020, co-working operators accounted for 13% of the leasing activity.

Impact of COVID-19 on the sector

In the residential space, a significant drop in absorption is expected for 2020, backed by deferment of home buying decisions by buyers which is largely due to issues related to job-security and economic uncertainty. Cost of resources (labour and materials) is expected to increase due to scarcity, however pricing power is expected to further shift in favour of buyers, thus creating a more difficult situation for developers. Financing is expected to be difficult. Further industry consolidation is also expected, with the possibility of small developers merging with institutional grade developers with strong balance sheets and fundamentals.

The present situation due to COVID-19 has given strong impetus to the work from home trend that was already being followed in small numbers by many companies in the pre COVID-19 period. Many large IT firms in India are targeting a 75% work from home situation for their employees going forward (over the next five years), significantly deferring future office space requirements. However, data privacy, lack of reliable infrastructure, and personal space requirements at home will pose challenges to create an effective work environment. Demand for managed / furnished spaces or co-working spaces is expected to increase as corporates may curtail further capital expenditure.

Absolute Return Investments

Hedge funds delivered performance of 0.5% for fiscal year (FY) 2020, as measured by the HFRI Fund of Funds Composite Index, compared to FY19 performance of +1.2%.

The HFRI Fund of Funds Composite Index was up 2.1% for H1 FY20, as global markets were relatively benign through H1 2019 and finished Q4 2019 with a strong global equity rally. This greatly contrasted with the environment in H2 FY20, as the full impact of the COVID-19 pandemic was rapidly priced into markets in February and March causing a sharp sell-off in risk assets.

March 2020 will undoubtedly be remembered as one of the most historic months in financial markets. Extreme market volatility ensued as the severity of the economic impact, from the global spread of the coronavirus, was rapidly priced into risk assets. The global pandemic combined with an oil shock in the first week of March drove market volatility to levels not seen since the great financial crisis (GFC).

The S&P 500 ended March down 12.4% (despite an intra-month 17% relief rally) and ended Q1 down 19.6%, the worst quarterly return since 2008 and the worst quarterly start to the year since 1929. No asset class was spared with investment grade and high yield spreads widening out the most since the GFC. Investors seeking safety pushed 10-year Treasuries to an all-time closing low at 0.54% on March 9th and the US Dollar rallied strongly - particularly against emerging markets currencies. Against this backdrop, hedge funds held up well with the HFRI Fund of Funds Composite Index down 2.0% for H2 FY20.

Global macro discretionary funds were marginally positive over FY20 with the HFRI Macro index up 0.4%. The global macro strategy held up well in a very treacherous environment in Q1 2020. Though the average performance of managers has been marginally positive, there is a significant dispersion in returns across the industry. The demarcation in performance is primarily driven by how well managers navigated through February and March. The most successful managers recognised quickly (i.e. in early February) the potential ramifications of the COVID-19 virus and adjusted their portfolios accordingly. This entailed tilting portfolios to a “risk-off” profile through a combination of the following positioning: directionally net short equities; long volatility (through VIX products or option structures); long duration positions (particularly in the front part of the curve that is most sensitive to policy actions) or short credit. Managers with long biased exposure, particularly to emerging markets, that did not reduce or hedge their exposures performed poorly. Not only did managers have to navigate the downdraft of markets in March, they also had to navigate the sharp subsequent rebound that in some cases caused bearishly positioned managers to give back significant gains. Nevertheless, a plethora of trading opportunities opened up in areas such as global FX as volatility levels rose from multi-year low levels and across commodities markets as dislocations occurred in the oil futures markets and economically sensitive sectors reacted violently to market events.

Commodity trading advisors (‘CTA’) slightly underperformed the broader hedge fund indices in FY20, returning -1.6% over FY20. CTA managers broadly benefited from the sharp rally in government bonds and strong global equity markets through the course of 2019. However, there was weaker performance across most managers in September and October 2019 as global bonds sold off after a strong run from Q4 2018; nevertheless, the strategy ended 2019 with the strongest year since 2014. The Macro Systematic strategy outperformed the wider hedge fund strategies in Q1 2020 and generally held up well in March but then lagged through the second quarter of 2020. Shorter-term strategies (that had been struggling for a period) stood out in March with managers that can benefit from increased “volatility-of-volatility” performing particularly well. Pure trend managers that performed well were generally positioned long USD (particularly versus commodity currencies), long fixed income and short energy and metals.

Equity market neutral strategies were in line with broader hedge funds in FY20. The Equity Market Neutral (EMN) strategy continued to struggle for much of the fiscal year primarily due to aggressive factor rotation and a persistent “growth” versus “value” factor bias that has hampered returns. There were significant liquidations across the quantitative equity space in March 2020, most likely emanating from large liquidations from multi-strategy and specialist quantitative managers and this has had a negative impact on the broader space. Typically, multi-manager firms that either kept consistent leverage or re-engaged quickly after the March drawdown performed best.

Fixed income relative value (FIRV) strategies underperformed broader hedge fund strategies during FY20. Performance for FIRV strategies was consistent in H1 FY20, and some managers were able to benefit from classic cash/futures basis trading in both the US and Europe. March 2020 was, however, very challenging for FIRV strategies and many managers suffered significant intra-month drawdowns. Traditional basis trades (long cash treasuries vs. futures) were hit hard and there were a few days in March where risk assets and safe treasuries moved in the same direction as levered portfolios sold down exposures. Outside of treasuries, in the mortgage markets, where generally more specialized funds participate, similar outsized moves took place as losses impacted trades in interest only and inverse interest only mortgages and mortgage basis. The Federal Reserve’s (FED) commitment to backstop the repo market was tested once again in Q1 and the FED over-delivered re-instating order to the markets.

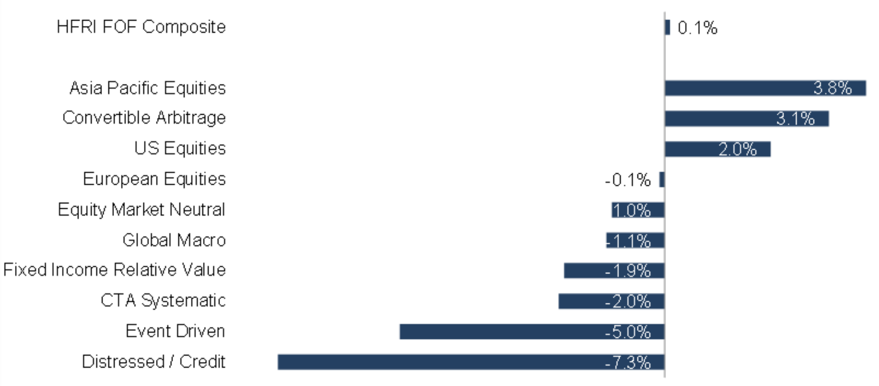
Convertible arbitrage strategies produced consistent returns over FY20, outperforming broader hedge fund indices. Performance was particularly strong in H1 FY20 as convertible arbitrage strategies benefitted from strong credit markets. There were drawdowns across the convertible space in March as both multi-strategy platforms and pure convertible players delivered their portfolios. However, there was a sharp bounce-back in performance for the rest of the fiscal year as credit spreads tightened, and elevated volatility levels and the strongest new issuance calendar for several years led to an abundance of opportunities.

Credit funds were down 3.49% in FY20 as measured by the HFRI: Credit index, however, this masks some of the behind the scenes volatility that saw several funds face steep drawdowns and many forced to close. Within credit, funds focused on corporate credit led the way (HFRI: RV-FI Corporate Credit -0.19%), followed by structured credit funds (HFRI: RV-FI ABS -3.49%) and then distressed funds (HFRI: Event-Driven Distressed/Restructuring -7.31%). Massive illiquidity-based mark-downs in late March due to the global pandemic impacted performance during FY20. This was most punitive to off-the-run credits, including distressed and structured credit. Several levered funds faced margin calls while those with more permissive liquidity terms faced investor redemptions, leading to forced selling at inopportune times. Within distressed credits, lower rated credits and those issued by mid-market companies fared the worst. Among Structured Credit managers, those long CMBS fared poorly as did those focused on CLO equity tranches. Avoiding leverage, maintaining cash and hedges, and a diversified approach were necessary for many funds to survive intact. All have seen a partial recovery over the past three months of the fiscal year with a return of liquidity and stabilizing fundamentals, including a deceleration of mortgage delinquencies and leverage loan downgrades.

Equity long/short (L/S) hedge funds finished the fiscal year with positive performance as the HFRI: Equity L/S (Total) index was up 0.97%. Positive returns amidst a global pandemic and resulting economic shutdown speak volumes to the effect of central bank intervention. Equity markets were overwhelmed by the COVID-19 outbreak across the globe. The impact was relatively limited on Q1 earnings but left an unprecedented uncertainty for the upcoming reporting seasons. The crisis triggered a massive and quick intervention from Central Banks and governments, that brought a large amount of liquidity to the market, resulting in one of the shortest bear markets ever seen. US large cap tech drove performance and the best performers were those that embraced such positioning. More important was timing – those that avoided selling at lows and instead increased exposure went on to see strong gains.

Event driven funds finished the fiscal year down 5.00% as measured by the HFRI Event Driven (Total) index. Key sub-strategies such as merger-arbitrage (HFRI ED: Merger Arbitrage index, -3.2%) and activism (HFRI ED: Activist index, -8.59%) were down as well. Merger-Arb struggled as forced selling combined with a re-evaluation of deal flow and timing led returns lower. Activist positions struggled as they largely focused on areas that did not benefit from the post-March market rally. With activist managers addressing non-tech and mid-cap companies, they were left out of the large-cap tech story.

Performance of hedge fund strategies (July 2019 – June 2020)



Source: PerTrac, Investcorp

Credit Management

Loan market overview

During H1 2020 the Credit Suisse Leveraged Loan Index returned -4.76%, with most of the decline coming in March as the wave of COVID-19 related lockdowns rolled across the world. In the U.S, the March return of -12.46% was the second worst monthly performance (behind only October 2008) in loan market history and led to Q1 2020 returns of -13.19%, the worst quarterly return since Q4 2008. Equally extraordinary has been the rally and recovery in the markets seen since March. Q2 2020 saw the US loan market return 9.71%, which was the strongest quarterly return in over a decade, with the average price of the index recovering to 89.47%, up from the market nadir of 76.48% on March 23. Given the relatively weak economic backdrop, this rally has to some extent been more incredible than the initial March 2020 market rout and is a testament to both the power of global government stimulus and to the relatively defensive characteristics of leveraged loan markets[3].

However, underlying market fundamentals remain problematic. The COVID-19 pandemic has created the most significant global recession in history with the initial impact of economic shutdown on corporate earnings still to be learned through the Q2 results cycle (in July and August 2020) and the longer term impacts unlikely to be known until H2 2020 and 2021. Reflecting the economic damage, rating agency downgrades have increased significantly over H1 2020, with 32% of the S&P US Leveraged Loan Index downgraded in the five months ending May 2020[4].Default rates are rising, with the trailing twelve month default rate at 3.2% for the US versus 1.8% at the start of the calendar year.[5] Moody's forecasts global default rates to peak in 2021 at approximately 13%, albeit this forecast includes investment grade and high yield in addition to loans and is focussed on higher COVID-19 risk sectors such as Hotels, Gaming/Leisure, and Energy.[6]

Despite this backdrop, the US loan markets continued to function. Opportunistic buyers stepped in to take advantage of discounted loan prices not seen since the Great Financial Crisis. Demand from separately managed accounts, insurance companies, high yield accounts, as well as other non-traditional buyers more than offset year-to-date retail outflows totalling $22.1 billion. The CLO market remained open through the crisis, although understandably year-to-date issuance of $35 billion is down significantly on the $65 billion of issuance seen at the same point in 2019. Meanwhile supply has been constrained; US primary institutional loan issuance totalling $134 billion at the end of June 2020 was $11 billion, or 8%, below the $145 billion print seen for H1 2019.[7]

Across the Atlantic, the story was very similar. The Credit Suisse Western European Leveraged Loan Index returned -2.93% in H1 2020. While March posted a monthly record decline of -13.37%, the European market rallied returning 12.21% in Q2, and the average price of the index recovered to 92.74%, up from the March 24th nadir of 78.3%.[8] Technical conditions were more favourable in Europe. While demand dynamics were similar to the US market, Europe was not affected by mutual fund outflows. On the supply side, new issue was slower to restart, with no primary issuance of any note seen in March or April 2020. However, primary issuance restarted in May 2020 and has been modest post COVID-19. New CLO issuance continues to significantly lag 2019 with €10 billion of new issuance in the six months to June 2020, compared to €15 billion for the same period in 2019.[9]

[3] Credit Suisse Leveraged Loan Index data, 30 June 2020
[4] S&P/LCD News, 3 June 2020
[5] S&P/LCD ELLI Default Rates data, 30 June 2020
[6] Moody's Investor Services – April 2020 Default Report (11 May 2020)
[7] S&P/LCD News, Investor Technical Data, 30 June 2020
[8] Credit Suisse Western European Loan Index (hedged to USD), 30 June 2020
[9] S&P/LCD News Euro Loan and Technical Data, 30 June 2020

Loan market outlook

At the end of Q2 the global loan market is contending with strong cross-currents. The positive effects of global monetary stimulus, the restart of economic activity and better than expected economic data have, thus far, held off fears of a “second-wave” of virus curtailing the recovery. Loan market technicals have remained supportive with a lacklustre new issue calendar constraining supply and forcing investors to deploy capital primarily in the secondary market. However, investors are also confronted with global growth that remains weak and uncertainty around the longer-term impact on the economy from the virus remains high.

The impacts of the current global recession are likely to weigh heavily on corporate earnings and balance sheets for a considerable amount of time. Evidence of this is expected to emerge from Q2 corporate earnings reports, the first quarter to fully measure the impact of the virus, and as companies provide investors their outlooks for H2 2020 and 2021. Increased volatility and an increase in default rates are expected for the rest of 2020 and into 2021. The expected losers in the post COVID-19 environment are relatively easy to identify. Businesses exposed to energy, global travel, “brick and mortar,” non-essential retail, and discretionary capital goods are likely to suffer most while Food and Beverage, Technology, Pharmaceuticals, and Telecom are examples of sectors that are expected to be relatively resilient. Disciplined credit selection will be required to drive outperformance. Understanding which credits will recover from more transitory effects of the virus and which sectors will likely face permanent changes to their business models (e.g., airlines, cruise lines, theatres) will be critical. Additionally, the market should, as seen in previous cycles, benefit from both improved pricing on new primary issuance and more lender friendly structures and documentation, a trend already seen in more recent primary issuance. Finally, at the end of the day, loans are by their nature contractually required to be repaid at par and are first in line for repayment among other corporate obligations. As in previous recessions, one can expect leveraged loans to perform relatively well compared to other similar asset classes given the inherent protections provided from the predominantly senior secured nature of the asset class.

DISCUSSION OF RESULTS

Results for the Year

Results for the year include 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'), absolute return investments ('ARI'), strategic capital ('SC') products and strategic investments, rental yields on RE co-investments and accrued returns and impairment losses on credit management ('CM') exposures.

The macro-economic and fiscal environment changed dramatically as a result of the COVID-19 pandemic. This changed environment has also impacted Investcorp's results resulting in a loss of $165 million for FY20, only the second loss in Investcorp's history. The reported loss is primarily driven by writedowns in co-investment exposures, provisions for impairments and reduced activity fee levels, which in turn were largely driven by the COVID-19 impact during the last four months of the financial year. This has resulted in lower gross operating income during the year, which decreased to $178 million, reflecting a 62% decrease over FY19. Investcorp's FY20 results represent fully diluted loss per share ('EPS') of $2.57 per ordinary share.

Income ($ millions)	FY20	FY19	% Change B/(W)
Fee income	288	376	(23%)
Asset-based (loss) income	(110)	89	>(100%)
Gross operating income	**178**	**465**	**(62%)**
Provisions for impairment	(26)	(4)	>100%
Interest expense	(40)	(51)	(22%)
Operating expenses	(275)	(268)	3%
(Loss) Profit before tax	**(163)**	**142**	**>(100%)**
Income tax expense	(2)	(11)	(82%)
(Loss) Profit for the year	**(165)**	**131**	**>(100%)**
Basic earnings per ordinary share ($)	(2.57)	1.52	>(100%)
Fully diluted earnings per ordinary share ($)	(2.57)	1.47	>(100%)

Fee income decreased to $288 million (FY19: $376 million) driven by a decline in both AUM fees as well as in deal fees. Asset-based losses were $110 million (FY19: $89 million gain) primarily driven by writedowns in PE, CM, ARI and strategic investments.

Interest expense decreased by $11 million mainly due to reductions in average cost of funding, average drawn funding amounts and commitment costs associated with undrawn revolvers, which was partially offset by interest costs associated with leases as accounted for under the newly adopted IFRS 16. Operating expenses increased by 3% to $275 million (FY19: $268 million) reflecting the expansion of Investcorp's operations from the acquisition of various businesses during the year and expenses incurred for future growth plans prior to COVID-19. The tax expense decreased by $9 million.

Fee Income

Fee income has two components: (i) AUM fees which include management and administrative fees on aggregate client investments under management in PE, RE and SC deals, as well as all fees from client investments in ARI and CM; 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 on PE, RE and SC assets under management (AUM) for value added during the ownership period.

Summary of fees ($ millions)	FY20	FY19	% Change B/(W)
PE fees	76	97	(22%)
CM fees	55	50	10%
RE fees	22	21	5%
Other management fees	17	13	31%
AUM Fees	**170**	**181**	**(6%)**
Activity fees	119	167	(29%)
Performance fees	(1)	28	>(100%)
Deal fees	**118**	**195**	**(39%)**
Fee income	**288**	**376**	**(23%)**

Total fee income in FY20 decreased to $288 million (FY19: $376 million).

AUM fees were $170 million in FY20, 6% lower than FY19. The decrease is primarily driven by a decrease in PE AUM fees which in turn was caused by the suspension of fees on some PE investments due to the impact of the COVID-19 pandemic and some funds reaching the end of their life. In addition, PE AUM fees in FY19 were higher due to the acceleration of some deferred fees for deals exited during FY19.

Deal fees also decreased in FY20 to $118 million (FY19: $195 million), driven by lower activity and performance fees relative to FY19 primarily due to the COVID-19 pandemic. Performance fees were at a small loss of $1 million (FY19: $28 million) as previously accrued fees on certain assets had to be reversed due to the negative impact on fair values caused by the COVID-19 pandemic. Activity fees decreased by 29% to $119 million (FY19: $167 million). The decrease primarily reflects the impact of the COVID-19 pandemic which resulted in reduced levels of acquisitions, placements and exit activity in the last part of the financial year.

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 strategic investments. Asset-based income includes unrealized changes in fair value of co-investments in Investcorp's PE, RE, ARI, SC products and strategic investments, rental yields on RE co-investments and accrued returns and impairment losses on CM exposures.

Gross asset-based losses of $110 million, were primarily driven by a significant decrease in the PE, CM, ARI and strategic investments returns during the year which have been impacted by the COVID-19 pandemic.

Asset-based income ($ millions)	FY20	FY19	% Change B/(W)
Private equity investment	(96)	12	>(100%)
Credit management investment	(22)	22	>(100%)
Absolute return investments	(5)	8	>(100%)
Real estate investment	31	29	7%
Strategic investments	(27)	5	>(100%)
Treasury and other asset-based income	9	13	(31%)
Gross asset-based (loss) income	**(110)**	**89**	**>(100%)**

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

PE asset-based income KPIs ($ millions)	FY20	FY19	% Change B/(W)
Asset-based (loss) income	(96)	12	(>100%)
Average co-investments	452	534	(15%)
Absolute yield	(21.2%)	2.2%	(23.4%)

CM asset-based income KPIs ($ millions)	FY20	FY19	% Change B/(W)
Asset-based (loss) income	(22)	22	>(100%)
Average co-investments	345	296	17%
Absolute yield	(6.4%)	7.4%	(13.8%)

ARI asset-based income KPIs ($ millions)	FY20	FY19	% Change B/(W)
Asset-based (loss) income	(5)	8	>(100%)
Average co-investments	94	137	(31%)
Absolute yield	(5.3%)	5.8%	(11.1%)

RE asset-based income KPIs ($ millions)	FY20	FY19	% Change B/(W)
Asset-based income	31	29	7%
Average co-investments	381	306	25%
Absolute yield	8.1%	9.5%	(1.4%)

Due to the impact of COVID-19, returns across most asset classes have been affected negatively. Out of the total PE portfolio, three assets from the retail sector have suffered the most, resulting in a full writedown for those three investments. Furthermore, CM reported significant impairment losses based on expected losses from the underlying portfolios. However, RE returns continue to be resilient in the face of the crisis with somewhat lower yields but an overall higher income as a result of a higher average co-investment balance.

The returns reported by Investcorp are not dissimilar to the returns reported by other investment firms invested in the same asset classes during the COVID-19 period. Future performance will depend on the recovery cycle.

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

Asset yields	FY16	FY17	FY18	FY19	FY20	Average (FY16 – FY20)
Private equity	16.5%	3.5%	12.6%	2.2%	(21.2%)	2.7%
Credit management	-	12.1%	8.1%	7.4%	(6.4%)	5.3%
Absolute return investments	(6.2%)	6.2%	4.8%	5.8%	(5.3%)	1.1%
Real estate	(0.6%)	7.8%	7.4%	9.5%	8.1%	6.4%
Average co-investment yield	5.4%	6.7%	9.1%	5.6%	(7.2%)	3.9%

Interest Expense

Total interest expense, including commitment fees on undrawn revolving credit facilities, decreased by 22% to $40 million in FY20 from $51 million in FY19. The decrease was due to reductions in average cost of funding, average drawn funding amounts and commitment costs associated with undrawn revolvers, which was partially offset by interest costs associated with leases as accounted for under the newly adopted IFRS 16. Reduction in average cost of funding was driven by a reduction in the average LIBOR rates during the year.

Interest expense ($ millions)	FY20	FY19	Change H/(L)
Total interest expense	**40**	**51**	**(11)**
Average short-term interest-bearing liabilities	545	605	(60)
Average medium- and long-term interest-bearing liabilities	587	602	(15)
Average interest-bearing liabilities	**1,132**	**1,207**	**(75)**
Interest expense on funded liabilities[(a)]	31	43	(12)
Average cost of funding on funded liabilities	**2.7%**	**3.6%**	**(0.9%)**
Average 1-month US LIBOR	1.4%	2.3%	(0.9%)
Spread over LIBOR	**1.3%**	**1.3%**	**0.0%**

(a) Does not include commitment fee cost on undrawn revolvers.

Operating Expenses

Operating expenses increased by 3% to $275 million in FY20 from $268 million in FY19. During the year Investcorp acquired and integrated two new businesses as part of its long-term strategy and also transitioned its ARI business under a new joint venture structure. The operating expenses associated with these transactions and other growth initiatives which are currently in progress amounts to $5.7 million. Excluding these costs, the total operating expenses increased marginally by $1 million during FY20 as compared to FY19.

Despite an increase in global headcount across all locations, the staff compensation, which includes fixed and variable components, decreased by 6%, primarily due to lower variable compensation. Other personnel costs and charges such as training and recruitment increased by 29% primarily due to the increase in global headcount across all locations. Other operating expenses, comprising of professional fees, technology, travel and business development, administration and infrastructure costs increased by 16%, primarily driven by the costs incurred on various projects associated with the long-term growth plans of the Firm.

Operating expenses ($ millions)	FY20	FY19	Change H/(L)
Staff compensation	164	174	(10)
Other personnel costs and charges	18	14	4
Other operating expenses	93	80	13
Total operating expenses	**275**	**268**	**7**
Full time employees ('FTE') at end of period	447	419	28
Staff compensation per FTE ('000)	367	415	(12%)
Other operating expenses per FTE ('000)	208	191	9%
Total staff compensation / total operating expenses	60%	65%	(5%)
Cost-to-income[a]	n.m.	65%	n.m.

(a) Operating expenses / Net revenue. Net revenues represents 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	Jun-20	Jun-19
Total assets	$2.1 billion	$2.4 billion
Leverage[a]	1.2x	1.1x
Net leverage ratio[b]	0.6x	0.4x
Shareholders' equity	$0.9 billion	$1.1 billion
Co-investments[c] / long-term capital[d]	0.6x	0.5x
Residual maturity – medium- and long-term facilities	72 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 facilities secured against ARI and CM co-investments.

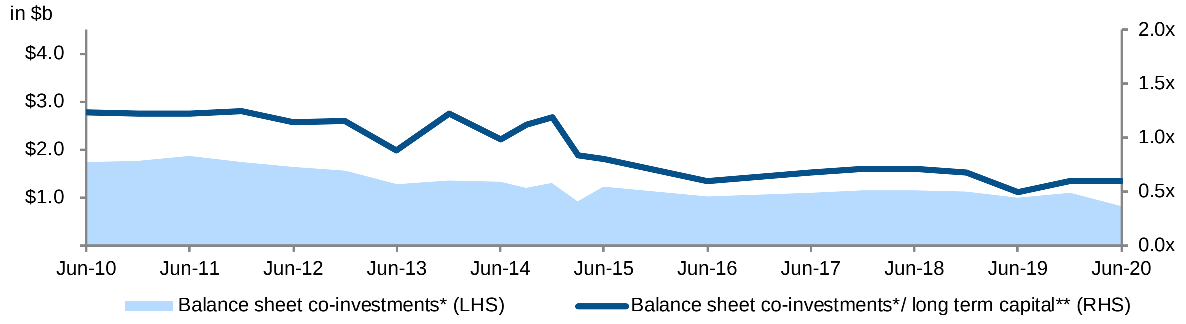
(d) JPY37 billion debt maturing in FY30, $42 million secured financings maturing in FY31, $42 million debt maturing in FY32, $50m debt maturing in FY33, deferred fees and total equity.

Assets

Assets ($ millions)	Jun-20	Jun-19	Change H/(L)
Cash and other liquid assets	309	390	(81)
Underwriting & warehousing	192	334	(142)
PE, RE, ARI, CM and SC co-investments	810	1,003	(193)
Strategic investments and intangible assets	189	107	82
Other (working capital and fixed assets)	623	527	96
Total assets	**2,123**	**2,361**	**(238)**

At June 30, 2020, total assets were $2.1 billion, 10% lower than at June 30, 2019 primarily due to a decrease in total co-investments by $193 million to $810 million, driven by a $152 million decrease in PE co-investments resulting from net realizations during the year and fair value writedowns. ARI co-investments also decreased by $31 million, primarily driven by redemptions and the loss for the year, and CM co-investments decreased by $15 million primarily driven by net impairment losses and fair value declines which were partially offset by net new investments, while RE co-investments increased by $3 million. Underwriting and warehoused assets also declined by $142 million as compared to the prior year, primarily driven by lower investment activity in the last quarter due to the COVID-19 pandemic. The decreases were partially offset by the increase in strategic assets and working capital. Strategic assets increased as various strategic transactions and initiatives were also completed during the period to further broaden the distribution platform, scale businesses and source investments from new growth areas. Working capital increased due to adoption of IFRS 16, which requires leases to be recognized on balance sheet.

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 a secured facilities (which are secured against CM co-investments)

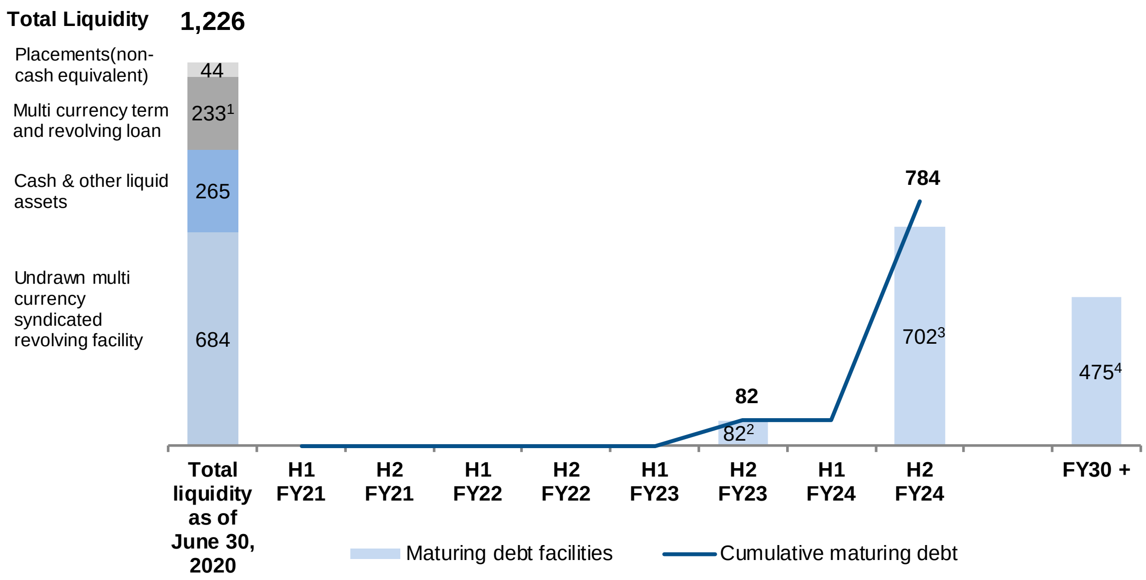
** Long term capital consists of JPY37 billion debt maturing in FY30, $42 million secured financings maturing in FY31, $42 million debt maturing in FY32, $50m debt maturing in FY33, deferred fees and total equity

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. Prudent capital and liquidity management has served the Firm well during this unprecedented crisis. Despite the impact of the COVID-19 pandemic on the total share capital of Investcorp, as at June 30, 2020 the aggregate level of co-investments remained fully covered by permanent and long-term sources of capital.

Liquidity

Investcorp's prudent liquidity management policy ensured that accessible liquidity, comprising undrawn committed revolving facilities plus balance sheet cash and other liquid assets was $1.2 billion at end of FY20 and covers all outstanding debt maturing over the next five years.

Liquidity cover ($ millions)



1 $233 million balance available from multi currency term and revolving loan on a call basis, as at June 30, 2020

2 Syndicated revolving facilities

3 Syndicated revolving facilities - includes €76 million ($85 million as at June 30, 2020 exchange rates),

4 JPY 37 billion ($343 million as at June 30, 2020 exchange rates) debt maturing in FY30, €36 million ($40 million as at June 30, 2020 exchange rates) debt maturing in FY31, €37 million ($41 million as at June 30, 2020 exchange rates) debt maturing in FY32 & $50 million maturing in FY33

Liabilities

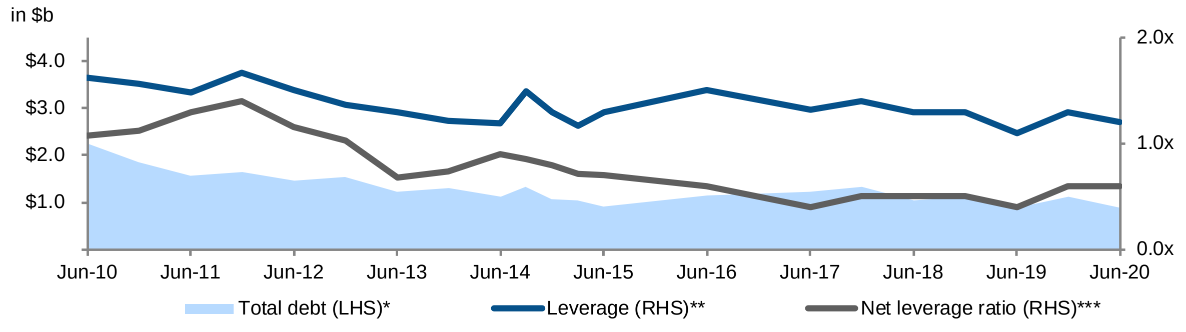
Total liabilities increased by $39 million to $1,255 million at June 30, 2020.

Liabilities ($ millions)	Jun-20	Jun-19	Change H/(L)
Short-term financing	261	375	(114)
Medium and long-term debt	611	514	97
Total debt	**872**	**889**	**(17)**
Lease liability	109	-	109
Deferred fees	62	63	(1)
Other liabilities[(a)]	212	264	(52)
Total liabilities	**1,255**	**1,216**	**39**

(a) Payables and accrued expenses, negative fair value of derivatives

The marginal increase of $39 million in liabilities was driven by the recognition of a lease liability of $108 million upon adoption of IFRS 16. Medium and long-term debt also increased as $100 million of medium-term revolvers were drawn at the end of FY20, however this was offset by lower short-term financing such that total debt was actually $17 million lower compared to June 30, 2019.

Financial leverage



* Total debt is defined as short-term financing and 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 4-year syndicated revolving credit facility, is calculated by deducting cash, underwriting balances and deferred fees (arising from the introduction of IFRS 15) from liabilities.

Credit Ratings

Investcorp held its annual rating review with both Fitch and Moody's in September and October 2019.

In April 2020, Fitch Ratings re-affirmed Investcorp's credit ratings at BB and revised the outlook 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 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 ratings over time, it will likely be pushed out beyond Fitch's outlook horizon."

"The rating affirmation reflects Fitch's view that recent steps taken by Investcorp to de-risk its balance sheet and shore up liquidity will allow the firm to withstand an economic downturn. The ratings also reflect the locked-in nature of most of Investcorp's fee streams, its 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."[1]

In June 2020, Moody's re-affirmed Investcorp's credit ratings at Ba2, and revised outlook to 'Negative' from Stable. "The change in the company's outlook to negative from stable reflects the expected impact the economic downturn prompted by the coronavirus will have on Investcorp's financial performance. Moody's expects to see this impact through declines in the level of deal fees and fair value of the company's significant co-investment portfolio which

[1] Fitch Ratings – Investcorp rating action commentary; April 3, 2020

will negatively impact earnings and leverage metrics. Somewhat offsetting these negative factors, we expect Investcorp's level of AUM, liquidity and equity to remain resilient, and for revenue to benefit from the growing contribution of AUM-related fees in recent years."

"The affirmation of the ratings reflects Investcorp's solid market position in the Gulf Cooperation Council region as a leading alternative investment provider, its global franchise, historically healthy operating margins and good asset retention. Moody's expects the company's AUM to continue to benefit from closed end structures, committed capital and a sticky client base. Furthermore, revenue has benefited in recent years from the growth in more stable and predictable asset management fees."[2]

Agency	Rating grade	Comment
Fitch Ratings	BB / Stable outlook	Rating confirmed and outlook revised to 'Stable' in April 2020
Moody's Investor Service	Ba2 / Negative outlook	Rating confirmed and outlook revised to 'Negative' in June 2020

Equity

Equity ($ millions)	Jun-20	Jun-19	Change H/(L)
Ordinary shareholders' equity	727	987	(260)
Preference share capital	123	123	-
Proposed appropriations	22	38	(16)
Other reserves	(5)	(3)	(2)
Non-controlling interests	1	-	1
Net book equity	**868**	**1,145**	**(277)**

Net equity at June 30, 2020 decreased to $0.9 billion, due to the loss for the year along with the purchase of treasury shares and dividend payments. Book value per ordinary share as of June 30, 2020 decreased by 24% to $10.07 (FY19: $13.26).

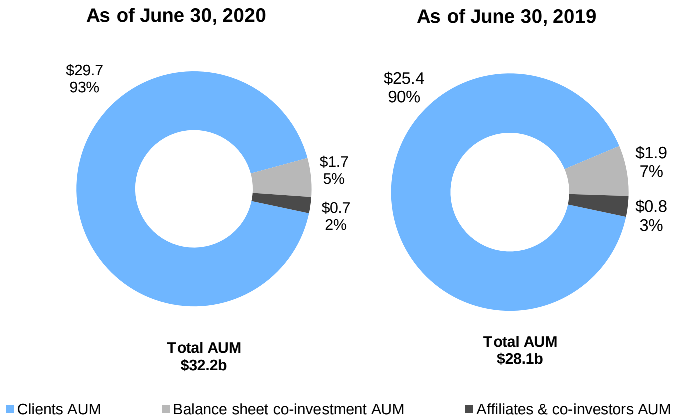
[2] Moody's Investor Service – Investcorp rating action; June 5, 2020

ASSETS UNDER MANAGEMENT

Assets under management ('AUM')[1 2 3]

Please refer to the table in Note 2 of the Consolidated Financial Statements of Investcorp Holdings B.S.C., which summarizes total assets under management in each of the reporting segments.

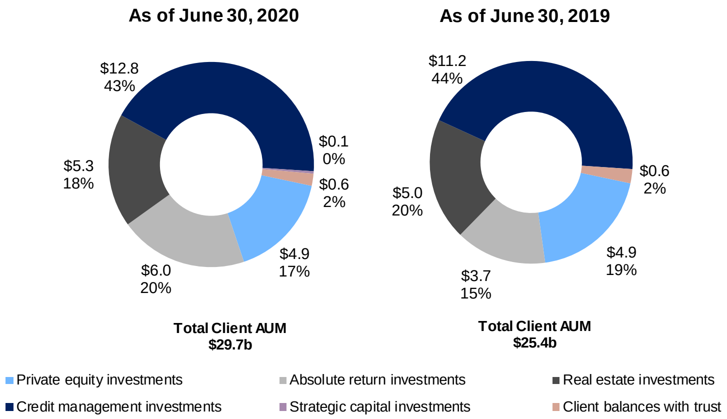
Total assets under management ($ billions)



Total AUM increased to $32.2 billion at June 30, 2020 from $28.1 billion at June 30, 2019. The $4.1 billion increase in AUM is largely driven by the organic growth of AUM across all asset classes, but also includes $0.3 billion from the acquisition of CM Investment Partners LLC which manages a business development company (BDC) that invest in the debt of US middle market companies, and $1.7 billion from the merger of Investcorp's Absolute Return Investments business with Tages Capital LLP, the absolute return and multi-manager solutions subsidiary of Tages Group, a leading, European, alternative asset management firm.

Associate's assets under management, which is not included in the total AUM numbers shown above, stands at $6 billion as at June 30, 2020. This represents AUM managed by Banque Paris Bertrand, in which Investcorp holds an indirect ownership and is entitled to a net return based on its ownership.

Total client assets under management ($ billions)



Total client AUM increased by 17% to $29.7 billion at June 30, 2020 from $25.4 billion at June 30, 2019.

[1] Includes $3.7 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. In May 2020, Investcorp entered into a joint venture with Tages Group through which the ARI business is transferred to the joint venture. During the year, the AUM introduced by Tages Group amounted to $1.7 billion (June 30, 2019: Nil). Further, as at June 30, 2020, the total AUM held through the joint venture amounted to $6.0 billion (June 30, 2019: Nil)

[2] Real estate investments AUM is stated at gross asset value

[3] Includes Group's commitment of $4 million (June 30, 2019: $4 million) to a private equity deal and $15 million (June 30, 2019: Nil) to a real estate fund

The most dominant asset class in client AUM continues to be credit management with 43% of the total. The increase in total client AUM in FY20 is largely attributable to the 63% increase in absolute return investments client AUM from $3.7 billion to $6.0 billion. This increase is a result of strong fundraising for the Firm's hedge funds partnerships platform, particularly for Nut Tree Capital Management, and for Italian NPL Opportunities Fund II which forms part of the Firm's special opportunities portfolios. The increase in AUM also includes the addition of $1.7 billion AUM following the joint venture with Tages Group. Credit management client AUM also increased by 14% from $11.2 billion to $12.8 billion due to the issuance/pricing of five new CLO's and the acquisition of CM Investment Partners BDC business. Real estate client AUM increased by 7% to $5.3 million largely due to the acquisition and placement of new portfolios. Private equity client AUM remained relatively stable at $4.9 billion despite the writedown of assets from the retail sector due to COVID-19. The reduction of client AUM was partially offset by new fundraising for the private equity offerings and securing new commitments into institutional investor programs.

Private equity investments ($ millions)	Jun-20	Jun-19	% Change B/(W)
Client AUM			
Closed-end funds	2,658	2,398	11%
Deal-by-deal investments	2,251	2,544	(12%)
Total client AUM – at period end	**4,909**	**4,942**	**(1%)**
Average client AUM	4,925	4,394	12%

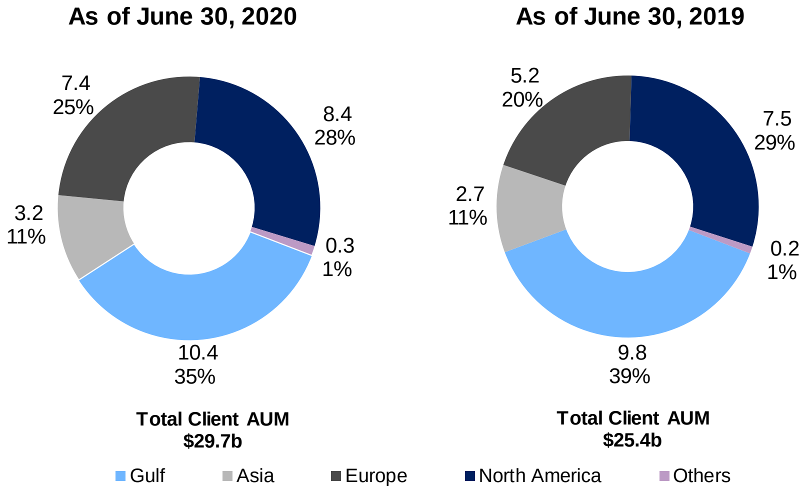
Real estate investments ($ millions)	Jun-20	Jun-19	% Change B/(W)
Client AUM			
Closed-end funds (Mezzanine/debt)	184	134	37%
Deal-by-deal investments	5,134	4,820	7%
Total client AUM – at period end	**5,318**	**4,954**	7%
Average client AUM	5,136	4,807	7%

Credit management investments ($ millions)	Jun-20	Jun-19	% Change B/(W)
Client AUM			
Closed-ended funds	12,492	10,975	14%
Open-ended funds	314	258	22%
Total client AUM – at period end	**12,806**	**11,233**	14%
Average total client AUM	12,020	11,180	8%

Absolute return investments ($ millions)	Jun-20	Jun-19	% Change B/(W)
Client AUM			
Multi-manager solutions	2,939	1,436	>100%
Hedge funds partnerships	2,479	2,110	18%
Special opportunities portfolios	564	104	>100%
Alternative Risk Premia	40	38	6%
Total client AUM – at period end	**6,022**	**3,688**	63%
Average total client AUM	4,855	3,610	34%

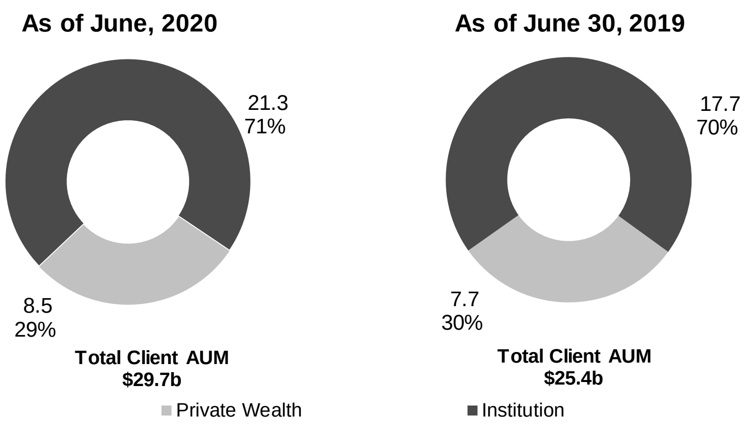
Strategic capital investments ($ millions)	Jun-20	Jun-19	% Change B/(W)
Client AUM			
Closed-ended funds	87	-	n.m.
Deal-by-deal investments	28	-	n.m.
Total client AUM – at period end	**115**	**-**	n.m.
Average total client AUM	57	-	n.m.

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



During FY20, client AUM has grown consistently across the various regions. As at June 30, 2020, 65% of the Firm's client assets under management are from outside the Gulf region.

Composition of clients' assets under management by client type



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

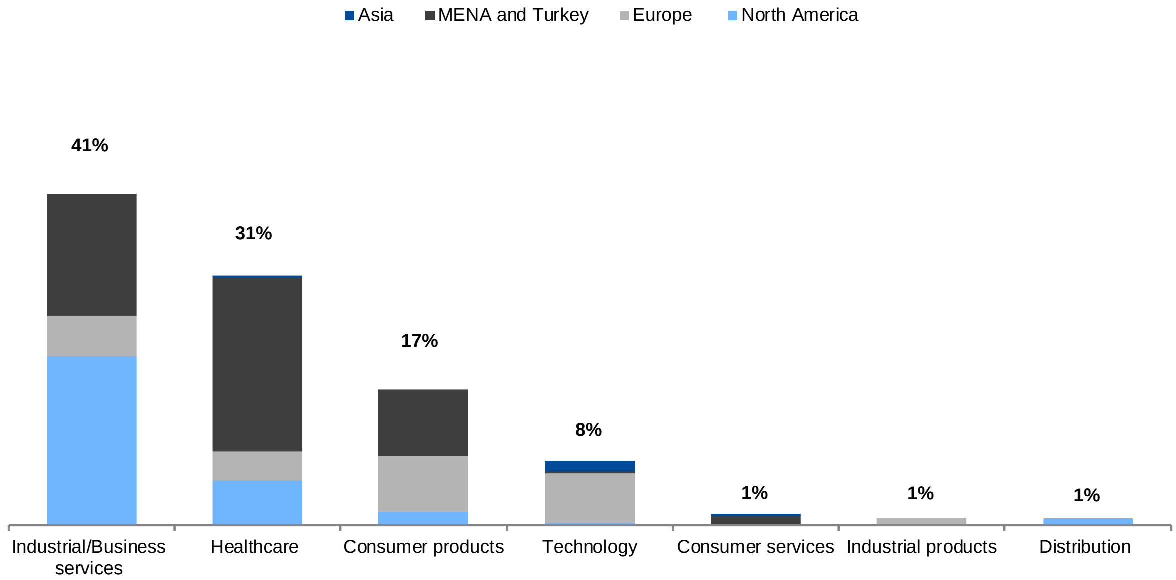
PORTFOLIO REVIEW

Private Equity

At June 30, 2020, the carrying value of Investcorp's balance sheet co-investment in PE, excluding strategic investments and underwriting, was $339 million (invested in 45 companies and two special opportunity investments) compared with $491 million at June 30, 2019 (invested in 40 companies and three special opportunity investments). This represents 42% of total balance sheet co-investments at June 30, 2020 (FY19: 49%). PE underwriting at June 30, 2020 was $59 million (FY19: $51 million).

Two portfolio companies are managed by Investcorp on behalf of clients with no balance sheet co-investment (FY19: two companies).

The private equity portfolio is diversified by sector and geography across North America, Europe, Asia and the MENA region, including Turkey.



Please refer to the table in Note 11 of the Consolidated Financial Statements of Investcorp Holdings B.S.C., which summarizes the June 30, 2020 and June 30, 2019 carrying values of PE co-investments by region and investment sector.

The below sections provide an overview of these portfolio companies and investments.

PE North America

As of June 30, 2020, Investcorp's aggregate balance sheet co-investment amount in private equity investments in North America was $100 million invested across eleven companies.

Acquired	Portfolio Company Name	Industry Sector	Headquarters
January 2020	**Fortune International** A leading provider of premium seafood, cheese and other gourmet products in the United States *www.fortunefishco.net*	Distribution – Supply chain services	Illinois, US

Acquired	Portfolio Company Name	Industry Sector	Headquarters
February 2019	**Revature** A leading technology talent development company *www.revature.com*	Business services – Technology enabled services	Virginia, US
January 2019	**Health Plus Management** A market leader in clinical practice management in the physical medicine and rehabilitation market *www.healthplusmgmt.com*	Business services - Healthcare	New York, US
August 2018	**United Talent Agency** The third largest talent agency in the world *www.unitedtalent.com*	Business services – Media	California, US
March 2018	**ICR** A leading strategic communications and advisory firm *www.icrinc.com*	Business services – Data & Information services	Connecticut, US
March 2018	**KS Group** A value-added, industry-leading distributor of quality replacement auto body parts *www.ksiautoparts.com*	Consumer products – Supply chain services	New Jersey, US
January 2017	**AlixPartners** A leading global business advisory firm *www.alixpartners.com*	Business services – Knowledge & professional services	New York, US
October 2016	**Arrowhead Engineered Products** A market leading supplier/distributor of mission critical aftermarket parts primarily for off-highway vehicles *www.arrowheadep.com*	Consumer products – Supply chain services	Minnesota, US
October 2014 / May 2017	**PRO Unlimited** A leading provider of software and services that enable large enterprises to more effectively manage their contingent workplace *www.prounlimited.com*	Business services – Technology enabled services	Florida, US

Acquired	Portfolio Company Name	Industry Sector	Headquarters
September 2013	**Paper Source** A vertically-integrated, cross-channel retailer, offering a premium selection of uniquely designed and curated gifts, stationery, and crafting supplies *www.paper-source.com*	Consumer products – Specialty retail	Illinois, US
July 2011	**Sur La Table** A specialty retailer of culinary merchandise and a leading provider of non-degree culinary courses *www.surlatable.com*	Consumer products – Specialty retail	Washington, US

PE Europe

As of June 30, 2020, Investcorp's aggregate balance sheet co-investment amount in private equity investments in Europe was $51 million invested across eleven companies.

Acquired	Portfolio Company Name	Industry Sector	Headquarters
September 2019	**Vivaticket** A leading global provider of integrated ticketing software solutions to the leisure and entertainment, sport, culture and tradeshow industries. *www.vivaticket.com*	Business services	Bologna, Italy
February 2019	**Cambio** Leading Scandinavian provider of Electronic Health Record (EHR) software and services as well as eHealth solutions to the primary and social care sector *www.cambio.se*	Business services – Healthcare	Stockholm, Sweden
March 2018	**Acura** A leading platform company to execute on a buy-and-build strategy in the German dental market *www.acura-zahnaerzte.de*	Business services – Healthcare	Frankfurt am Main, Germany
October 2017	**Kee Safety** A leading global provider of fall protection solutions and products associated with working at height *www.keesafety.com*	Industrial products	Birmingham, UK

Acquired	Portfolio Company Name	Industry Sector	Headquarters
June 2017	**ABAX** A leading developer and supplier of vehicle and fleet tracking systems technology *www.abax.co.uk*	Business services – Technology enabled services	Larvik, Norway
December 2016	**Agromillora** The leading global developer of high yielding plants and trees *www.agromillora.com*	Consumer products – Agriculture	Barcelona, Spain
June 2016	**Corneliani** An Italian luxury menswear brand *www.corneliani.com*	Consumer products – Specialty retail	Mantova, Italy
October 2015	**POC** A provider of premium ski and bicycle gear products *www.pocsports.com*	Consumer products	Stockholm, Sweden
January 2015	**Dainese** A leading manufacturer of safety apparel for motorcycle and other dynamic sports *www.dainese.com*	Consumer products	Vicenza, Italy
August 2014	**SPGPrints** A leading global manufacturer of digital printing systems for textile and graphics *www.spgprints.com*	Industrial products	Boxmeer, The Netherlands
November 2012	**Georg Jenson** A global luxury brand that designs, manufactures and distributes jewelry, watches, fine silverware and high-end homeware *www.georgjensen.com*	Consumer products – Specialty retail	Copenhagen, Denmark

PE Technology

As of June 30, 2020, Investcorp's aggregate balance sheet co-investment amount in technology investments was $19 million invested across eight companies. Two companies (eviivo and OpSec Security Group) are managed by Investcorp on behalf of clients with no balance sheet co-investment.

Acquired	Portfolio Company Name	Industry Sector	Headquarters
May 2020	**Avira** A multinational cybersecurity software solutions firm *www.avira.com*	Technology – Security	Tettnang, Germany
August 2019	**Contentserv** A leading provider of Product Information Management software *www.contentserv.com*	Technology – Big data	Ermatingen, Switzerland
December 2018	**Ubisense** A market leader in enterprise location intelligence solutions *www.ubisense.net*	Technology – Big data	Cambridge, UK
September 2018	**softgarden** A fast-growing Human Resource software provider *www.softgarden.io*	Technology – Big data	Berlin, Germany
July 2017	**Impero** A leading online student safety, classroom and network management software *www.imperosoftware.com*	Technology - Security	Nottingham, UK
March 2017	**Ageras** A fast-growing online marketplace for professional services *www.ageras.com*	Technology – Internet / mobility	Copenhagen, Denmark
November 2016	**Calligo** A fast-growing provider of cloud solutions *www.calligo.cloud*	Technology – Big data	St Helier, Jersey
March 2011	**eviivo** A leading European software provider for small and medium-sized accommodation businesses *www.eviivo.com*	Technology – Internet / mobility	London, UK

Acquired	Portfolio Company Name	Industry Sector	Headquarters
March 2010	**OpSec Security Group** A global leader in providing anti-counterfeiting technologies, as well as solutions and services for physical and online brand protection *www.opsecsecurity.com*	Technology - Security	Newcastle, UK
April 2006	**kgb** A global independent provider of directory assistance and enhanced information services *www.kgb.com*	Technology – Big data	New York, US

PE MENA

As of June 30, 2020, Investcorp's aggregate balance sheet co-investment amount in private equity investments in the MENA region was $164 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.

Acquired	Portfolio Company Name	Industry Sector	Headquarters
April 2018	**Reem Integrated Healthcare** A state-of-the art International Rehabilitation Centre, Children's & Women's Hospital and Walk-In Family Medical Clinic *www.reemhospital.com and www.vamed.com*	Healthcare	Abu Dhabi, United Arab Emirates
November 2016	**Al Borg Medical Laboratories** A leading private laboratory network in the GCC *www.alborglaboratories.com*	Healthcare	Jeddah, Saudi Arabia
December 2015	**Bindawood Holding** A leading chain of supermarkets and hypermarkets *www.bindawoodholding.com*	Consumer products – Grocery retail	Jeddah, Saudi
July 2015	**NDT Corrosion Control Services Co.** A leading industrial testing and inspection services provider in the GCC *www.ndtcorrosion.com*	Industrial services	Dammam, Saudi Arabia

Acquired	Portfolio Company Name	Industry Sector	Headquarters
March 2015	**Arvento Mobile Systems** The leading fleet telematics company in Turkey, offering wide range of technology products and solutions *www.arvento.com*	Business services – Technology enabled services	Ankara, Turkey
December 2013	**Namet** The largest integrated producer of fresh cut and packaged processed red meat products in Turkey *www.namet.com.tr*	Consumer products	Istanbul, Turkey
October 2013	**Al Yusr Industrial Contracting Company W.L.L.** A leading provider of technical industrial support services to the petrochemical, oil & gas and other key industrial sectors in Saudi Arabia and Qatar *www.aytb.com*	Industrial Services	Jubail, Saudi Arabia
June 2013	**Theeb Rent a Car Co.** A leading car rental and leasing company in Saudi Arabia *www.theeb.com.sa*	Consumer services	Riyadh, Saudi Arabia
March 2013	**Hydrasun Group Holdings Ltd.** A leading specialist provider of products and solutions to the international oil and gas industry *www.hydrasun.com*	Industrial services	Aberdeen, Scotland
October 2012	**Automak Automotive Company** A leading player in the fleet leasing and rental business in Kuwait *www.automak.com*	Industrial services	Kuwait
September 2012	**ORKA Holding** One of Turkey's leading branded menswear retailers *www.orkagroup.com*	Consumer products – Specialty retail	Istanbul, Turkey
September 2010	**Tiryaki Agro** A leading trader and supply chain manager of agro commodities in Turkey and globally *www.tiryaki.com.tr*	Consumer products – Trading and logistics	Istanbul, Turkey

Acquired		Portfolio Company Name	Industry Sector	Headquarters
March 2009		**L'azurde** The Arab world's leading designer, manufacturer and distributor of gold jewelry for the premium mass market *www.lazurde.com*	Consumer products	Riyadh, Saudi Arabia

PE Asia

As of June 30, 2020, Investcorp's aggregate balance sheet co-investment amount in private equity investments in the Asia region was $6 million.

Acquired		Portfolio Company Name	Industry Sector	Headquarters
June 2020		**ZoloStays** The leading full-stack managed living services provider in India *www.zolostays.com*	Consumer services	Bengaluru, India
November 2019		**NephroPlus** The leading dialysis service provider in India *www.nephroplus.com*	Healthcare	Hyderabad, India
February 2019		**India Consumer Growth Portfolio** A diversified portfolio of leading high-growth consumer companies in India. The portfolio currently comprises seven high-growth consumer companies: Nephroplus, Bewakoof, Intergrow, CityKart, Zolostays, ASG Hospital and InCred	Consumer & retail / Financial services / Healthcare	India
September 2018		**China Pre-IPO Technology Portfolio** A diversified portfolio of leading high-growth pre-IPO technology companies in China or globally with a significant China angle. The portfolio currently comprises eleven high-growth companies	Technology	Predominantly in China, together with one US-based company with significant China angle

Absolute Return Investments ('ARI')

At June 30, 2020, the balance sheet carrying value of Investcorp's co-investment in ARI was $81 million compared with $112 million at June 30, 2019. The amount represents 10% of total balance sheet co-investments at June 30, 2020. Please refer to the table in Note 13 of the Consolidated Financial Statements of Investcorp Holdings B.S.C., which summarizes the June 30, 2020 and June 30, 2019 carrying values.

Exposure Profile

Investcorp has consistently maintained a co-investment in the ARI business, in-line with its philosophy of co-investing alongside its clients. Allocations were further reduced from FY19 levels due to the challenges faced by underlying hedge fund managers in the current market environment.

The balance sheet co-investments in ARI consist of investments in managers who are on Investcorp's hedge fund partnerships platform, multi-manager solutions platform and co-investments in Investcorp's Special Opportunity Portfolios. As of June 30, 2020, Investcorp's balance sheet co-investment amount in hedge fund partnerships was $24 million, its investment amount in multi-manager solutions was $28 million, and its investment amount in Special Opportunities Portfolios was $29 million.

Investcorp's ARI exposure is primarily through customized accounts, similar to the structures created for Investcorp's large institutional clients.

Performance

During FY20, Investcorp's ARI co-investment portfolio delivered returns of -5.3%. During the same period, the industry benchmark, HFRI Fund of Funds Composite Index, returned +0.5%. The sharp underperformance in comparison to the benchmark was largely driven by one of ARI's Single Manager investments.

The market environment for Investcorp's invested managers was mixed during this fiscal year. In contrast to FY19, conditions were favorable for systematic and factor-based strategies and more challenging for fundamental strategies. Managers with whom Investcorp has seed partnership arrangements delivered negative performance, driven primarily by its partnership arrangement with Shoals.

Liquidity

Investcorp's ARI co-investment portfolio is constructed so that a significant portion of it is available for monetization within a three to twelve-month window. As of June 30, 2020, approximately 30% of Investcorp's ARI co-investment was contractually available for monetization within a three-month window and 83% was available within a twelve-month window.

Strategy Outlook

Below is Investcorp's outlook on hedge fund strategies as of June 2020:

Strategy	Change	Negative	Neutral	Positive
Hedged Equities	-	□□■	□	□□□
US	-	□■■	□	□□□
Euro area ex UK	-	□□■	□	□□□
Japan	-	□□■	□	□□□
Asia ex Japan	-	□□■	□	□□□
Event Driven		□□□	□	□□□
Special Situations		□□■	□	□□□
Merger Arbitrage		□□□	□	■□□
Equity Market Neutral		□□□	■	□□□
Macro Discretionary	-	□□□	□	■□□
Macro Systematic		□□□	□	■□□
FI Relative Value		□□■	□	□□□
Corporate Credit		□□□	□	■□□
Corporate Distressed		□□□	■	□□□
Structured Credit		□□□	□	■□□
Convertible Arbitrage	+	□□□	□	■□□
Vol Arb		□□□	□	■□□

Looking forward to the second half of 2020, Investcorp has positioned its portfolios defensively with a lower equity beta relative to the strategic asset allocation. Investcorp prefers credit markets where dislocations from the first quarter crisis have proved more lasting and continue to offer attractive risk-adjusted return opportunities. Investcorp is underweight hedged equities due to expectations for poor equity market performance, continued volatility, and concerns over crowded positioning. Investcorp believes international markets offer better value, with Japan and Developed Asia being the preferred regions. With equity factor volatility still elevated and major policy catalysts ahead, Investcorp also opts for a balanced exposure across factors. The Firm has a neutral outlook on equity markets but continues to overweigh fundamental styles over quantitative arbitrage. Diversification among typical quantitative equity factors remains close to historical lows, a warning sign for these strategies.

In event-driven strategies, Investcorp remains underweight special situations due to headwinds from weak equity performance. But the strategy's value bias may be additive in a portfolio context. The preferred approach to merger arbitrage remains tactical; the short-term outlook remains constructive on attractive risk-adjusted spreads. With regards to longer-term, the impact of lower corporate confidence on deal flow and likely tighter financing conditions in the mid-market universe is concerning.

Investcorp is constructive on global macro strategies, in both discretionary and systematic forms. The great opportunity set in fixed income has receded, but continued opportunities in foreign exchange, commodities and emerging markets are seen. The trade structuring edge of most macro accounts and a rapid response function to the upcoming macro catalysts is appreciated. Investcorp has downgraded the allocation to fixed income relative value, on lower volatility. Carry trades may be successful in an environment of great visibility on funding, but the strategy is still likely to deliver sub-par returns.

In credit strategies, Investcorp is overweight on long/short strategies and structured credit. Dislocations in the asset class have proved more long-lasting relative to other asset classes, which opens up attractive opportunities for hedge funds. Investcorp remains neutral with respect to distressed strategies, where valuations have quickly compressed relative to the risks still ahead.

In the same vein, Investcorp is overweight with respect to convertible bond arbitrage and volatility arbitrage where alpha opportunities are abundant and competition limited.

Real Estate Investment

At June 30, 2020, Investcorp's RE balance sheet co-investments excluding underwriting totaled $71 million compared with $68 million at June 30, 2019. The amount represents 9% of total balance sheet co-investments at June 30, 2020.

Please refer to the table in Note 14 of the Consolidated Financial Statements of Investcorp Holdings B.S.C., which summarizes the June 30, 2020 and June 30, 2019 carrying values by portfolio type. For details on RE underwriting, please refer to the table in Note 10 of the Consolidated Financial Statements of Investcorp Holdings B.S.C.

Carrying values for Investcorp's real estate co-investment by vintage year are shown below. Carrying values reflect stable values for existing assets as well as the impact of exits and new acquisitions and placements during the period.

Investcorp currently has 26 active real estate investment portfolios and one additional property currently warehoused on the Investcorp balance sheet. At June 30, 2020, 22 of these portfolios were on or ahead of plan and only four portfolios were behind plan. The first portfolio that is behind plan is an industrial warehouse portfolio that has a positive medium-term outlook. The second portfolio that is behind plan is a suburban office complex in Northern Virginia which has been impacted by COVID-19. The third and fourth portfolios that are behind plan (the only hotel and one of two suburban office properties that make up Investcorp's current portfolio) were written down significantly in value prior to COVID-19.

Real Estate Portfolio Listing

Investcorp co-investment by year ($m)	Properties # vs. current *	Sector	Geographic location***	Carrying value end of Jun-20	Jun-19
Diversified VII	4 / 0	-	-		
US Hotels Portfolio	9 / 1	-	-		
Vintage FY07				**0**	**3**
Southland & Arundel Mill Mezz	n.a. **	-	-		
Vintage FY12				**0**	**0**
2013 Office II	5 / 1	-	-		
Vintage FY13				**0**	**1**
Canal Center	4 / 3	Office	VA		
Vintage FY15				**1**	**1**
2015 Residential II	8 / 0	-	-		
2015 Office & Industrial	79 / 0	-	-		
Boca Raton & Minneapolis Residential	5 / 1	Residential	FL		
733 Tenth Street	1 / 1	Office	DC		
Vintage FY16				**2**	**5**
2016 Residential	10 / 1	Residential	IN		
Boston & Denver Commercial	20 / 0	-	-		
901 Fifth Street	1 / 0	-	-		
New York & California Multifamily	2 / 2	Residential	CA / NY		
Chicago & Boston Industrial	6 / 0	Industrial	MA / IL		
Vintage FY17				**3**	**9**
Florida & Arizona Multifamily	6 / 6	Residential	FL / AZ		
UK Industrial Logistics	9 / 9	Industrial	GBR		
Midtown Manhattan Office	2 / 2	Office	NY		
2018 Residential	5 / 5	Residential	IL / FL / GA / TX		
UK Industrial Logistics II	9 / 9	Industrial	GBR		
2018 Warehouse	38 / 38	Industrial	AZ / MN / IL / TX		
Vintage FY18				**19**	**19**
German Office 2018	2 / 2	Office	GER		
US Industrial & Logistics	56 / 55	Industrial	TX / IL / DE / MN / AZ		
2018 Multifamily	6 / 6	Residential	FL / TX / UT		
2019 Multifamily	8 / 8	Residential	NC / TX / AZ / GA / FL		
Frankfurt and Hamburg	2 / 2	Office / Industrial	GER		
US Distribution Center	8 / 8	Industrial	IL / OH / AZ / FL / NC / MO / OH / TX		
Vintage FY19				**13**	**21**
2019 Multifamily II	11 / 11	Residential	GA / FL / PA / NC / MO		
UK Industrial & Logistics III	10 / 10	Industrial	GBR		
2019 US Industrial and Logistics	76 / 75	Industrial	IL / NC / TX		
535-545 Boylston Street	1 / 1	Office	MA		
2020 Residential Properties	5 / 5	Residential	CO / TX / FL		
2020 European Office	3 / 3	Office	GER / BEL / NDL		
2020 Southeast Industrial & Logistics	50 / 50	Industrial	GA / TN		
Vintage FY20				**32**	**6**
Others				**1**	**1**
Sub-total	**461 / 315**			**70**	**66**
New portfolios under construction	1 / 1			**1**	**2**
Total including new portfolios under construction	462 / 316			**71**	**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.

*** Two letter code denotes North America US states and three letter code represents country ISO code

Strategic Capital Investments

Investcorp seeks to acquire minority interests in alternative asset managers, particularly general partners (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.

During FY20, Investcorp deployed $62 million to acquire a minority interest in one of the leading private equity and debt managers focused on the US middle market with over $3.5 billion of capital raised in its latest flagship private equity fund. This is the first investment in the Investcorp Strategic Capital Partners Master Fund, L.P.

Credit Management

At June 30, 2020, Investcorp's CM balance sheet co-investments totaled $317 million compared with $332 million at June 30, 2019. The amount represents 39% of total balance sheet co-investments at June 30, 2020.

Please refer to the table in Note 12 of the Consolidated Financial Statements of Investcorp Holdings B.S.C., which summarizes the June 30, 2020 and June 30, 2019 carrying values by geography.

The table below details the Investcorp co-investment exposure and total AUM by geography and by vintage year. Performance information consists of the cash returned to equity holders to date at a summarized level by vintage year.

Assets under management – Investcorp credit management ($ millions)

Fund Name[1]	Cash returned to equity to date %[2]	Total AUM Jun-20	Investcorp AUM Jun-20
FY 2014	95.51%	754	20
FY 2015	88.15%	1,297	38
FY 2016	66.53%	1,341	48
FY 2017	41.26%	968	32
FY 2018	33.47%	886	41
FY 2019	14.32%	886	42
FY 2020	4.77%	1,264	0
European CLO Funds		**7,397**	**221**
FY 2013	104.20%	336	0
FY 2014	72.46%	235	0
FY 2015	27.02%	735	0
FY 2016	61.24%	395	0
FY 2017	48.17%	586	10
FY 2018	30.13%	978	9
FY 2019	13.57%	436	10
FY 2020[3]	N/A	790	42
US CLO Funds		**4,491**	**71**
CLO under construction		0	-
Other Funds[4]		1,256	46
Other		**1,256**	**46**
Total		**13,144**	**338**

[1] Fiscal year groupings are based on the closing date of a CLO
[2] % of equity cash distribution over par value of equity at launch
[3] The first payment date is not due as of June 30, 2020
[4] Other funds include Global Fund, European Middle Market Fund, Mount Row Levered Fund, Investcorp Credit Management BDC and Risk Retention Fund

Collateralized Loan Obligations ('CLOs')

CLO equity continues to provide investors with attractive current income cash distributions. In Europe, the average annualized cash distribution on Investcorp's ongoing 2.0 CLOs as at June 30 were 14% and, in the US, were 13%.

Global Floating Rate Income Fund ('GIF' or the 'Fund')

The GIF[18] produced a net return of -1.2% for FY 2020. Since inception in August 2015, the Fund's annualized net return is 3.01%.

The proactive defensive repositioning of the GIF portfolio through calendar year 2019 ahead of anticipated market weakness in 2020 and active management through the significant COVID-19 related volatility seen in 2020 has resulted in the Fund performing strongly versus the market in FY2020. The Fund produced a gross return in FY2020 of -0.35%, outperforming the benchmark index gross return of -1.72% by 137 basis points (with net fund returns outperforming by 52 basis points) (Chart 1). The Fund continued to benefit from a relative overallocation to the European loan market assets, with the Fund's currency exposure being 77% USD, 19% EUR, and 4% GBP at the end of June 2020 (see Chart 2).

Chart 1: Global Income Fund performance vs the benchmark

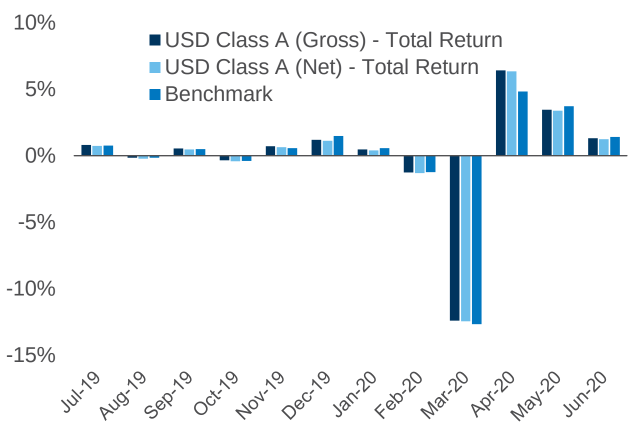
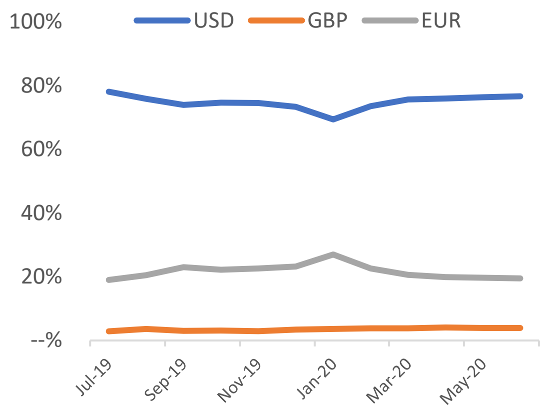


Chart 2: Currency Exposure



Mount Row (Levered) Credit Fund

Mount Row (Levered) Credit Fund closed at €318 million in May 2020 and was €219 million invested by June 30, 2020. The Mount Row (Levered) Credit Fund is expected to be fully ramped by the end of July and will target a net return of approximately 10% and through investment across a diverse portfolio of fully performing, senior secured European LBO credits.

[18] USD Share Class

Investcorp Credit Management BDC

On August 30, 2019, Investcorp Credit Management US LLC (a subsidiary of Investcorp Holdings B.S.C.) acquired an approximate 76% ownership interest in CM Investment Partners, LLC ("CMIP"). CMIP is an investment adviser that has registered with the U.S. Securities and Exchange Commission and it acts as the investment adviser to Investcorp Credit Management BDC, Inc. ("ICMB"), a closed-end, externally managed, non-diversified management investment company that has elected to be regulated as a business development company under the Investment Company Act of 1940, as amended. ICMB is a publicly traded company that is listed on the Nasdaq Global Select Market under the symbol "ICMB".