INVESTCORP

QUARTERLY SHAREHOLDER UPDATE

Fiscal Year 2021

For the period July 1, 2020 to September 30, 2020

Message from the Executive Chairman

"The progress on our growth and diversification strategy significantly offset the headwinds from COVID-19. I am very pleased with how well we managed through the storm – from our people, offices, investments and protecting the balance sheet. Going forward, we will keep reinforcing both our investment structure and fundraising efforts, and continue to maintain the strength of our balance sheet. This will provide our business with increased certainty, improved resilience, and lower volatility."

Mohammed Alardhi
Executive Chairman

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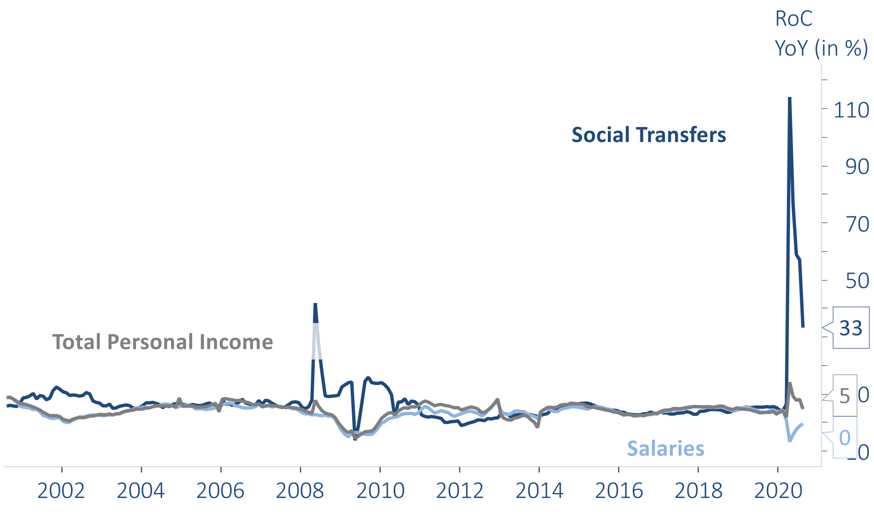
Figures throughout may not add up due to rounding

Macro and Business Environment

The onset and rapid spread of the COVID-19 outbreak during the first half of the year led governments in many regions of the world to enforce strict lockdown policies, essentially shutting down their domestic economies to slow contagion. By and large, the strategy initially proved successful in lowering contaminations and restoring healthcare systems readiness. However, these policies had significant adverse consequences for economies. Temporary unemployment skyrocketed to levels unseen in recent economic history, and revenues and incomes experienced dramatic collapses. Consumers and firms were forced to quickly adapt their behaviour, accelerating long-standing trends including the greater penetration of technology in our daily lives.

Extraordinary policies, from both monetary and fiscal authorities, were quickly developed to help offset the shock and avoid significant spill-overs through credit channels. Central bankers lowered policy rates to the zero-lower-bound and returned to expanded asset purchases programs. The Federal Reserve, in coordination with other major central banks, flushed the global monetary system with dollars through swap lines and support to commercial paper markets. Fiscal relief measures in developed countries were targeted to plug temporary cashflow shortfalls, through job guarantees or furlough schemes, disbursement of extraordinary benefits or explicit support to credit providers. Relief packages were so significant that it is the first recession where personal incomes in the United States rose thanks to large social transfers such as cash relief payments, expansions to unemployment assistance and emergency family and medical leave. Still, supply-side constraints and greater uncertainty pushed savings rates to all-time highs. Asset markets recovered quickly in aggregate, although the performance across individual industries and countries has remained uneven. Cyclical sectors and highly indebted firms have continued to struggle while technology companies and “safe” balance sheets outperformed.

US Personal Income rose by 5% year-on-year due to an explosion in social transfers

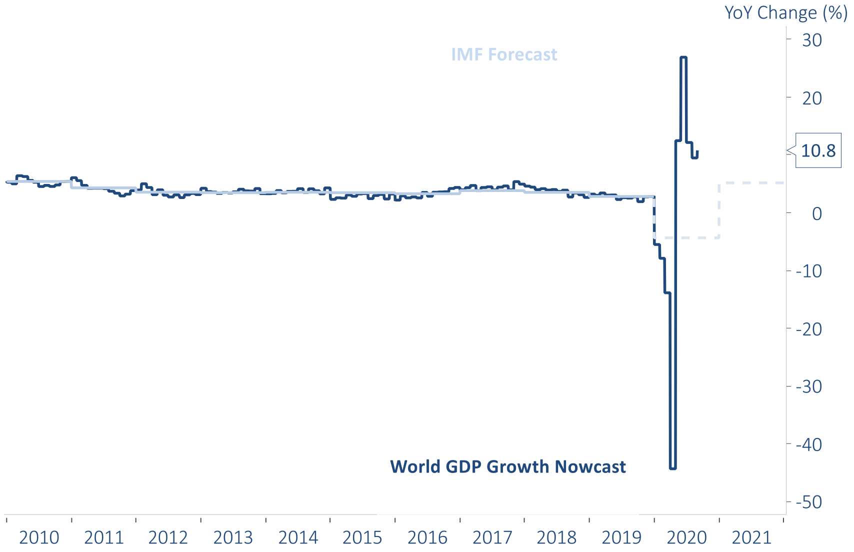


Source: Investcorp, Macrobond as of August, 1 2020.

With lower contamination rates, economies were allowed to re-open as long as social distancing measures were observed. Over the third quarter (Q3)[1], economic growth rebounded sharply with businesses re-opening and a large share of the population returning to work. Manufacturing activity rebounded more quickly than services, helped by the greater resilience in the Chinese economy and the push from Chinese policy makers towards greater publicly-funded fixed asset investments. Meanwhile, services have experienced a slower come-back as consumer behaviour remains cautious.

[1] All reference to dates throughout the document refer to the calendar year (CY), unless otherwise stated.

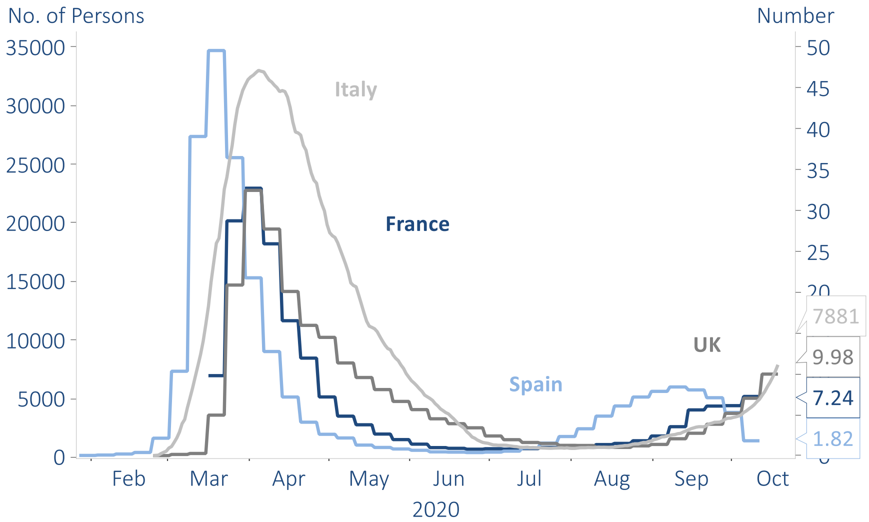
Global Growth Nowcast



Source: Investcorp, Macrobond, as of September, 1 2020.

Looking forward, the outlook continues to present a higher degree of uncertainty. The ripple-effects of the COVID-19 shock will take time to become fully evident. Much like living systems, economies tend to exhibit a memory of past shocks that can affect their behaviour far into the future. Balance sheet scars will likely lower private demand growth in the coming quarters. This headwind could be more or less offset by public demand, through greater public spending on infrastructure and ecologic transition. The successful negotiations over the European Recovery Fund bode well in this perspective. But the question remains over how sustained and impactful these policies will end up being, particularly in the United States where Congress has so far failed to extend economic relief measures. The importance of fiscal policy as a driver of economic growth is a key take-away from the crisis as monetary authorities have largely exhausted their toolkit. In democracies, fiscal policy is driven by a political process that often brings greater volatility in decision-making than a purely technocratic administration like central banks' boards of governors. Developments on the continued healthcare emergency will also play a major role in driving economic growth. The second wave of contaminations in Europe and enforcement of partial lock-down measures is a clear set-back to the thesis of a rapid return to normal. Unprecedented investments went into the development of a vaccine, with experts now forecasting its widespread distribution in developed countries for some time in 2021.

COVID-19 related hospitalizations on the rise again in Europe



Source: Investcorp, Macrobond

Business Activity

Private Equity

In September, as part of the China Pre-IPO Technology Portfolio, Investcorp announced its investment in **Terminus Technologies**, a leading global Artificial Intelligence (AI) City and smart service provider in China. Since its establishment in 2015, Terminus Technologies has grown into a leading enterprise in the field of Artificial Intelligence and Internet of Things (AIoT) in China, specializing in providing diversified smart services based on AIoT technology. In April 2020, Terminus Technologies' first AI City project was announced to commence construction in Chongqing. In July 2020, the company was announced as the Premier Partner for Expo 2020 Dubai. Currently, Terminus Technologies is promoting the construction of a global network of the AI City worldwide, in which many global cities have agreed to participate, including Dubai and Shenyang.

Also in September, Investcorp announced that it has entered into a definitive agreement alongside China Resources Capital Management Limited to acquire a majority ownership position in **City Super (BVI) Limited** ("City Super Group"). The existing shareholders, including Fenix Group and the Lane Crawford Joyce Group, will continue to hold a 35% stake in City Super Group. The transaction is subject to People's Republic of China merger control approval and is expected to close in the fourth quarter of 2020. After the closing of the transaction, City Super Group's current management team will continue to operate independently under the city'super and LOG-ON brands. The new partnership will enable the group to accelerate its expansion plans and to continue to seek to best capitalize on Greater China and Asia's consumption growth and premiumization trends. All shareholders will collaborate together with City Super Group's management team and its staff to implement City Super's vision. City Super Group was established in 1996, and city'super is one of the most recognizable premium food retailing chains in Hong Kong and Shanghai, known for offering the highest quality and widest assortment of gourmet food products to its customers from around the world. City Super Group also operates the LOG-ON stores, which offer a unique collection of lifestyle products.

Furthermore in September, Investcorp announced that it has launched a new platform (China Pre-IPO Healthcare Portfolio) dedicated to investing in high-quality Chinese healthcare companies. As part of this initiative, Investcorp has acquired minority equity stakes in **Lu Daopei Medical Group** and **WeDoctor**. The new platform advances Investcorp's Asia growth strategy and aims to create a highly curated portfolio of primary and secondary stakes in sector leading Chinese healthcare companies that have remained resilient through the pandemic and are expected to experience accelerated growth in the post-pandemic world.

Founded in 2001 by hematology expert Dr. Lu Daopei, Lu Daopei Medical Group ("LDP") has become the leading private specialist medical group in the field of hematology in China and a pioneer of bone marrow transplantation. LDP operates three hospitals in Beijing and a fourth one set to open in Shanghai and is now the largest bone marrow transplant group for leukemia treatment in the world.

WeDoctor is a digital healthcare services company founded in 2010 by artificial intelligence expert Jerry Liao. The company has more than 240 million registered users for its online appointment booking, prescription and diagnosis services. The company builds, owns and operates one of China's largest digital healthcare infrastructure platforms by linking hospitals and doctors with patients, pharmacies, insurance programs and financial services.

Other private equity news

Following the period end, in October, Investcorp announced the successful listing of its portfolio company BinDawood Holding ("BinDawood"), on the Saudi Stock Exchange ("Tadawul"). This marks the 3rd investment that Investcorp has partially exited through the public capital markets in Saudi Arabia over the last four years, following the public offerings of L'azurde Company for Jewelry in 2016 and Leejam Sports Company (Fitness Time) in 2018. BinDawood is one of the leading grocery retail operators of hypermarkets and supermarkets in the Kingdom of Saudi Arabia. It has a total of 73 stores of which 51 are hypermarkets and 22 are supermarkets, operating under the BinDawood and Danube brands located nationwide across Saudi Arabia. Investcorp acquired a minority stake in BinDawood in 2016.

Real Estate

In September, **Ohio Industrial Portfolio,** a 23-property, 96% leased, Class A/B portfolio of industrial assets totaling 2.1 million sq.ft. located in Cleveland, Columbus and Cincinnati was acquired.

Following the period end, in October, **Chicago O'Hare Industrial Portfolio**, an eight property, 92% leased, Class B portfolio of industrial assets totaling 955,460 sq. ft. located in Chicago's O'Hare industrial submarket was acquired.

Also in October, a newly constructed, 100% leased distribution center, Class A industrial facility totaling 434,000 sq. ft. located in Cleveland was acquired. The Ohio Industrial Portfolio, Chicago O'Hare Industrial Portfolio and the distribution center in Cleveland have formed the **2020 Warehouse and Logistics Portfolio**, which was launched in late October.

Four properties were realized from the **Florida & Arizona Multifamily Portfolio** with the sale of Arcadia Cove in September and each of the Midtown on Main, Aqua Deerwood and Highpoint Club assets were also sold in October in three transactions for a combined total of more than $350 million.

One property was also realized from the **New York and California Multifamily Portfolio** with the sale of Highlands Apartment Homes in September. The property was a Class B, 556-unit, garden style, 'for rent' apartment complex, located in Grand Terrace, California.

In October, Investcorp announced that it had successfully completed the sale of **UK Industrial Portfolio**, a portfolio of seven industrial real estate assets to Mileway, the pan-European last mile logistics real estate company. Investcorp acquired the portfolio, which is made up of three single let buildings and four multi-let estates, in 2017. In total the portfolio comprises approximately 692,000 square feet of industrial, warehouse and distribution accommodation, located in Glasgow, Edinburgh, Liverpool, Warrington, Leeds, South Elmsall, and High Wycombe. During its ownership, Investcorp completed a number of value-enhancing initiatives, including increasing overall occupancy of the portfolio from 88% to 96% at the time of exit.

Absolute Return Investments ("ARI")[2]

The Investcorp balance sheet co-investment portfolio delivered returns of +1.4% in the first quarter (Q1) of fiscal year 2021 (FY21).

The table below provides information on index returns across various hedge funds strategies including commentary from the Investcorp-Tages ARI team, who manage the assets, on the performance over Q1 of FY21.

Strategy	Index	Index Return
Global macro discretionary funds	HFRI Macro (total) index	1.3%
Marginally positive over the first quarter of FY21. Commodity focused managers performed well in Q1 FY21 as well as year-to-date. Many commodity managers navigated March well and have been able to capture the rich opportunity set across energy, agriculture and metals including capturing the sharp rallies in gold and silver.		
Commodity trading advisors (CTA)	HFRI Macro Systematic index	-0.5%
Underperformed the broader hedge fund indices. Much of the gains that were made in the first half of CY 2020 were given back in September. Sharp trend reversals in September with the US dollar gaining strength, gold and silver reversing their recent strong performance and broadly flat fixed income returns led to a challenging environment.		
Equity market neutral (EMN)	HFRI EMN index	1.1%
Positive but underperformed the broader hedge fund indices. While the stock specific opportunity set has improved, elevated quantitative factor volatility remains a headwind to the EMN strategy. Fundamentally based EMN managers continue to navigate the current environment better than quantitively focused managers.		
Convertible arbitrage	HFRI Convertible Arbitrage index	6.1%
Produced very strong returns significantly outperforming broader hedge fund indices. The sharp bounce back after the March drawdown continued as managers benefitted from the tightening of credit spreads, elevated volatility levels and the strongest new issuance calendar for several years all leading to a strong tailwind for the strategy.		
Fixed income relative value	HFRI RV Fixed income Sovereign index	2.65%
Steady return despite lagging hedge fund performance with any equity beta or the fund weighted index performance. There were less opportunities in traditional cash/futures basis trading in both the US and Europe and volatility in fixed income has trended down suppressing returns.		
Credit hedge fund strategies	HFRI-Credit index	3.39%
Continued their recovery from their March drawdowns. Across structured credit, most asset classes rallied as CLOs saw senior tranches snap back, followed by mezzanine securities. CLO equity has seen improving trade volume over the quarter and is beginning its recovery with CCC haircut declines with slowing downgrades.		
Event driven hedge funds	HFRI Event Driven (Total) index	4.29%
Benefitting from both rising market beta as well as improving strategic corporate activity and narrowing spreads, Activist funds, merger-arbitrage specialists and distressed focused managers all posted strong gains. Despite ongoing concerns surrounding COVID-19 slowdowns, many nations have been successful at limiting the impact, vaccines are being worked on, and fatality rates are declining.		
Equity long/short managers	HFRI Equity Hedge (Total) Index	6.03%
The markets continued their post March rally for much of the quarter, with the S&P 500 and the MSCI World Index up 8.85% and 7.94%, respectively. Many equity long/short managers have been successful this year, navigating volatile markets with added alpha driven by timely increases of exposure post drawdown, tilts into technology and growth sectors, as well as favorable stock selection.		

[2] In May 2020, Investcorp's ARI business entered into a 50/50 joint venture with Tages Capital LLP, the absolute return and multi-manager solutions subsidiary of Tages Group, to form Investcorp-Tages Limited.

Credit Management

Portfolio commentary

The Harvest CLO XXIV transaction closed on July 24, 2020. Pricing on June 25, 2020 was 11.5bps tighter than the nearest CLO that priced in the market after the start of the COVID-19 pandemic. Investcorp was only one of three managers to price two European deals in the first half (H1) of CY 2020.

Additionally, the Harvest XXV transaction successfully priced on October 6^{th} and is scheduled to close on November 12^{th}. This marked the 3^{rd} CLO issuance of the year for Investcorp in Europe, and the 4^{th} globally.

The COP I fund, which provides investors with access to the US and European leveraged loan markets through investments in the equity tranche of CLOs issued and managed by Investcorp Credit Management ("ICM"), has made distributions to date totalling approximately 34% of initial capital, which is ahead of projections. The COP II fund has made four distributions to date totalling approximately 11% of initial capital. The COP III fund has been fully deployed across two CLOs and the first distribution is expected in November 2020.

The ICM Global Floating Rate Income Fund ("GIF") AUM is $335 million as of September 30^{th}. It has outperformed the loan indexes year-to-date, posting returns of 0.41% (gross) and -0.23% (net) compared to -0.65% of the Blended Credit Suisse Leveraged Index, beating the index by 106 bps on a gross basis (42 bps net). The proactive defensive repositioning of the portfolio ahead of anticipated market weakness in 2020 and active management through the significant COVID-19 related volatility seen in 2020 has resulted in GIF performing strongly versus the market during the COVID-19 outbreak.

The Mount Row (Levered Credit) Fund is fully invested and the first distribution was made in October 2020. Mount Row (Levered Credit) Fund II was launched across all markets in August 2020.

Client Activities

AUM & Fundraising

Deal-by-deal fundraising during the first quarter of FY21 included the continued placement of fiscal year 2020 (FY20) private equity offerings, primarily, **Zolostays,** as well as the launch of the **China Pre-IPO Healthcare Portfolio,** and an offering of an additional investment in **KS group.** From a real estate perspective, Investcorp continued the placement of FY20 offerings, primarily, **2020 Residential Properties Portfolio, European Office Portfolio** and **2020 Southeast Industrial & Logistics Portfolio.**

Total deal-by-deal fundraising amounted to $61 million during the quarter.

Fundraising for the **Asia Food Growth** private equity joint venture fund continued during the quarter, with $22 million raised from Investcorp clients.

Total new subscriptions for ARI products in the quarter amounted to $148 million. The majority was raised for the Investcorp-Tages hedge fund partnerships platform.

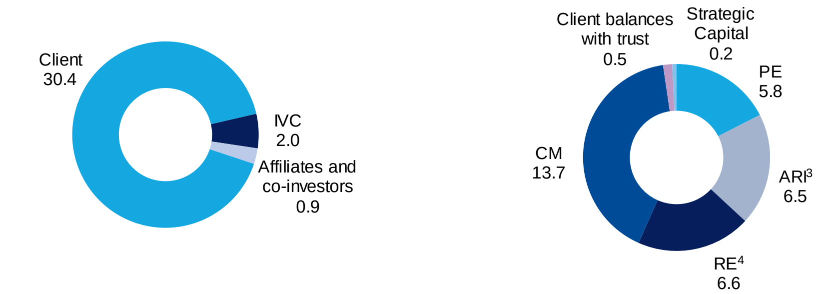
Fundraising in Strategic Capital for the Investcorp Strategic Capital Partners fund totalled $78 million during the quarter.

Fundraising in credit management totalled $33 million in the quarter of new subscriptions into GIF and The Mount Row (Levered) Fund II.

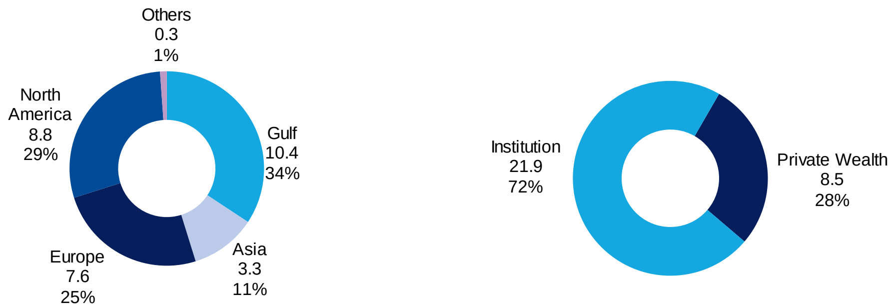
Assets under Management ('AUM')[3][4][5]

As of September 30, 2020, total AUM across all products, including proprietary co-investments was $33.3 billion and total client AUM was $30.4 billion.

Total AUM ($ billion): 33.3



Client AUM ($ billion): 30.4



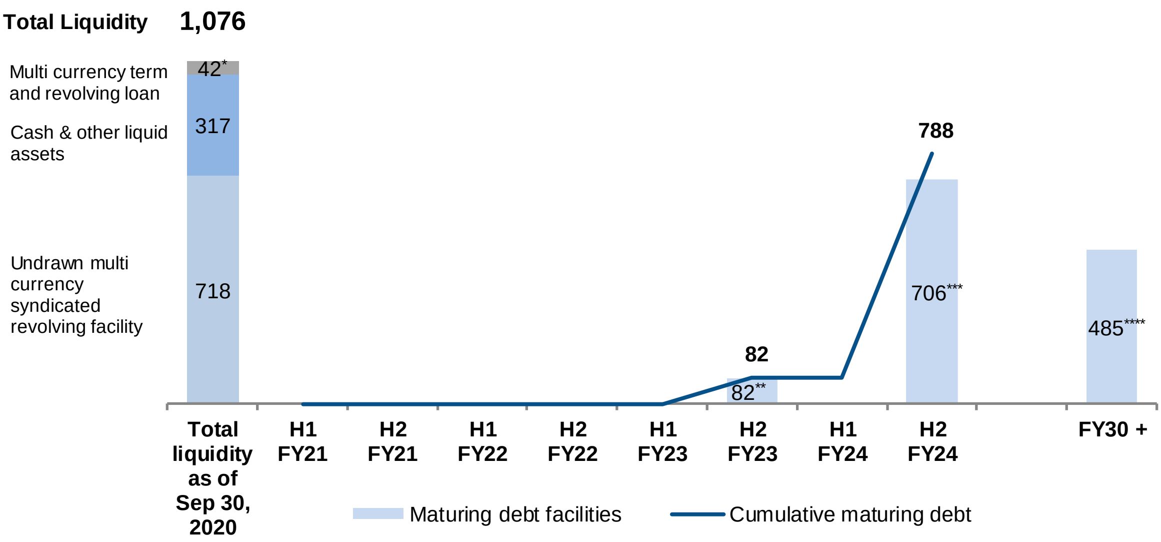
[3] Includes $3.9 billion of AUM managed by third party managers and assets subject to a non-discretionary advisory mandate where Investcorp receives fees calculated on the basis of AUM. In May 2020, Investcorp entered into a joint venture with Tages Group through which the ARI business is transferred to the joint venture. The AUM introduced by Tages Group amounted to $1.7 billion. Further, as at June 30, 2020, the total AUM held through the joint venture amounted to $6.4 billion.
[4] Real estate investments are stated at gross asset value.
[5] 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.

Key Balance Sheet Metrics

	Sep'20	Jun'20
Leverage ratio[6]	1.4x	1.2x
Net leverage ratio[7]	0.7x	0.6x
Total accessible liquidity ($ billion)[8]	1.1	1.2

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

Liquidity cover ($ million)



* $42 million balance available from multi currency term and revolving loan on a call basis, as of September 30, 2020

** Syndicated revolving facilities

*** Syndicated revolving facilities - includes €76 million ($89 million as at September 30, 2020 exchange rates)

**** JPY 37 billion ($350 million as at September 30, 2020 exchange rates) debt maturing in FY30, €36 million ($42 million as at September 30, 2020 exchange rates) debt maturing in FY31, €37 million ($43 million as at September 30, 2020 exchange rates) debt maturing in FY32 & $50 million debt maturing in FY33

Accessible liquidity, comprising undrawn committed revolving facilities plus balance sheet cash and other liquid assets was $1.1 billion and substantially covers all outstanding debt maturing over the next five years.

[6] Calculated in accordance with bond covenants.
[7] Calculated in accordance with bank loan covenants which is net of liquidity, underwriting and deferred fees.
[8] Cash, placements with financial institutions and undrawn revolvers.

Credit Ratings

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

In November 2020, Fitch Ratings affirmed Investcorp’s credit ratings at BB and ‘Stable’ outlook. “The rating affirmation reflects 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. The affirmation also reflects the vulnerability of Investcorp's business model to a market downturn and Fitch's view of the firm's ability to maintain credit metrics in line with expectations.”

“Rating constraints include the firm's increased earnings volatility and placement risk relative to peers, given its business model of offering investments to clients on a fully underwritten deal-by-deal basis and its sizable co-investment portfolio, which is subject to fair value changes. Activity fees, which are earned from transactional activities and have comprised almost half of Investcorp's core fees over the past several years, are also susceptible to market volatility.”[9]

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 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.”[10]

[9] Fitch Ratings – Investcorp rating action commentary; November 12, 2020
[10] Moody’s Investor Service – Investcorp rating action; June 5, 2020

Other Corporate News

Investcorp appoints Jordana Semaan as Diversity & Inclusion Champion and announces a series of related commitments

In July, Investcorp announced the appointment of Jordana Semaan, Head of HR Gulf and Asia into a newly established role as Diversity & Inclusion (D&I) Champion, reporting directly to the Executive Chairman, Mohammed Alardhi. The firm also announced a series of initiatives to enhance its D&I global practices. As part of its D&I Strategy, Investcorp has partnered with various organizations across the globe as to further enhance its commitments. These include the GCC chapter of the 30% Club, CEO Action for Diversity & Inclusion™ (CEO Action), Level 20, and 100 Women in Finance.

Investcorp has more than 43 nationalities represented among its approximate 460 global employees. Women comprise over 30% of Investcorp's global workforce and the Firm is actively looking to increase diversity across all levels of the organization. Investcorp has implemented new talent acquisition, retention and engagement policies including mandatory unconscious bias and D&I training for all Investcorp employees; requiring all open positions to shortlist at least 50% candidates from diverse backgrounds; establishing affinity groups and enhancing parental leave policies, among other actions.

Investcorp reaffirms global growth strategy during its virtual Ordinary General Meeting

In September, Investcorp held its Ordinary General Meeting (OGM) of shareholders virtually via live webcast. This came in line with public authority recommendations to contain the spread of COVID-19 and Investcorp's commitment to prioritizing the health and well-being of its shareholders, employees and other stakeholders. The meeting was chaired by Investcorp's Chairman of the Board, Dr. Yousef Al-Ebraheem. The OGM discussed and approved Investcorp's business and financial performance for the fiscal year ended June 30, 2020. Shareholders voted in favor of all matters put forth at the OGM.

Investcorp appoints Habib Abdur-Rahman as ESG lead as it ramps up Firmwide adoption

Following the period end, In October, Investcorp announced that it has appointed Habib Abdur-Rahman, Principal, Corporate Development as its internal ESG lead. Within this new role, Habib will be responsible for overseeing the accelerated adoption of a standardized ESG framework, including implementing and enhancing ESG alignment across all business lines and geographies.

Investcorp launched its group 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 rapidly, with each business line adapting the application of a set of core principles to its markets and activities.

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 aligned with this framework for all its investment activities in India as a pilot, and then propagating these across the rest of the Firm worldwide. Investcorp India also partnered with Cambridge University's Consulting Network, the UK's largest student-run consultancy, to leverage the talent and perspectives of the next generation of thought leaders and developed an ESG framework that is modeled on the principles of the Sustainability Accounting Standards Board (SASB). Since then, Investcorp has already commenced integrating ESG principles into its investment strategies in India, starting with a clear focus on ESG risk mitigation across all investments and transitioning to being an active opportunity seeker over the medium term.

Corporate Contact Information

Investcorp has offices located in Manama, Riyadh, Doha, Abu Dhabi, London, New York, Singapore and Mumbai.

Manama
Investcorp Holdings B.S.C.
Investcorp House
PO BOX 5340
Manama
Tel +973 17 532000
Fax +973 17 530816

London
Investcorp International Ltd.
Investcorp House
48 Grosvenor Street
London W1K 3HW
Tel +44 207 6296600
Fax +44 207 4990371

New York
Investcorp International Inc.
280 Park Avenue
New York, NY 10017
Tel +1 212 5994700
Fax +1 212 9837073

Riyadh
Investcorp Saudi Arabia Financial Investments Co.
Al Faisaliah Tower
29th Floor
Olaya District
PO Box 61992
Riyadh 11575
Tel +966 11 4847600
Fax +966 11 2730771

Abu Dhabi
Investcorp Bank B.S.C. Abu Dhabi Representative Office
Al Sila Tower
8th Floor
Abu Dhabi Global Market Square
PO Box 36961
Al Maryah Island
Abu Dhabi
Tel +971 2 5018900
Fax +971 2 644 1566

Doha
Investcorp Investments LLC
Qatar Financial Centre
Tower 1
Suite 701
West Bay Area
PO Box 24995
Doha
Tel +974 4476 0381
Fax +974 4435 2750

Singapore
Investcorp Asia Services Pte Ltd.
138 Market Street
#24-04A CapitaGreen
Singapore 048946
Tel +65 6911 5300

Mumbai
Investcorp India Asset Managers Private Limited
Unit No. 02 – 6th Floor
Godrej BKC, Plot C-68, G Block
Bandra Kurla Complex
Bandra (East)
Mumbai – 400051, India
Tel +91 22 50102000
Fax +91 22 66459273