INVESTCORP

BUSINESS REVIEW

Fiscal Year 2021

For the period July 1, 2020 to December 31, 2020

Message from the Executive Chairman

"The progress we have delivered on our growth and diversification strategy, coupled with our robust investment and distribution platform, has not only helped Investcorp absorb the shock from the COVID-19 pandemic, but we believe that it will drive our continued success and resilience amidst this uncertain market environment. Our first half fiscal year 2021 results were marked by solid performance across all business lines as economies partially reopened. The robust 9% AUM growth also demonstrates strong demand for our offerings as well as our ability to identify and originate products that meet the sophisticated needs of our expanding client base."

"We remain focused on executing on our plans to drive sustainable growth and value creation and we are confident in our ability to achieve our ambitious long-term objectives. As we grow, we are committed to continuing our prudent and disciplined approach to capital and liquidity management given the overall market uncertainties while advancing our evolution as a firm. During the period, we delivered important progress on our Environmental, Social and Governance and Diversity & Inclusion initiatives, from appointing new leaders to implementing new policies and practices. We look forward to building upon these areas as we move forward on behalf of our stakeholders and communities, and in pursuit of our corporate purpose to enrich the lives of future generations."

Mohammed Alardhi
Executive Chairman

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Figures throughout may not add up due to rounding

BUSINESS HIGHLIGHTS

Strategic 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:

Strategic Appointments

Announced the appointment of Andrea Davis as the Firm's Head of Corporate Strategy. Andrea Davis will be charged with helping to oversee Investcorp's execution on its organic and inorganic growth initiatives across geographies and asset classes on behalf of serving its global clients

Announced the appointment of Elena Ranguelova as Head of Investor Relationship Management ("IRM") North America. In this newly created role, Elena will be responsible for the management, execution and strategy of delivering Investcorp's products and solutions to clients in North America

Fundraising Platform

Launched Investcorp iPartners, a new Fintech investment platform that enables its investors to browse, assess and invest in Investcorp's private equity, real estate and other alternative investment offerings online. Investcorp iPartners platform in the GCC is operated by Investcorp's regulated subsidiary, Investcorp Financial Services B.S.C.(c)

Strong interest and rapid placement of the two new Asian offerings in the last 6 months, the China Healthcare Portfolio and the India E-commerce Portfolio

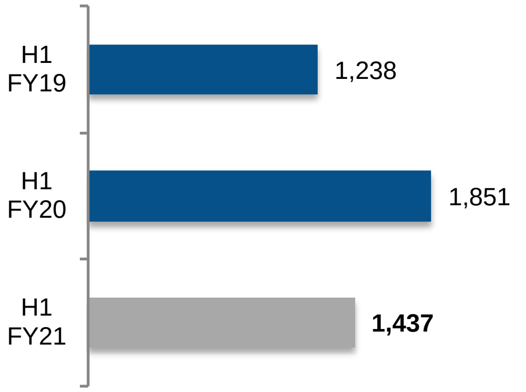
Investment Platform

Investcorp's Strategic Capital Group (ISCG) entered into a partnership with Centre Lane Partners, a leading private investment firm focused on private equity and private credit investments in the North American middle market

Continued active growth of the Firm's presence in Asia with three new investments for the India E-commerce platform, two new investments for the Asia Food Growth Fund and three new investments for the China Healthcare platform

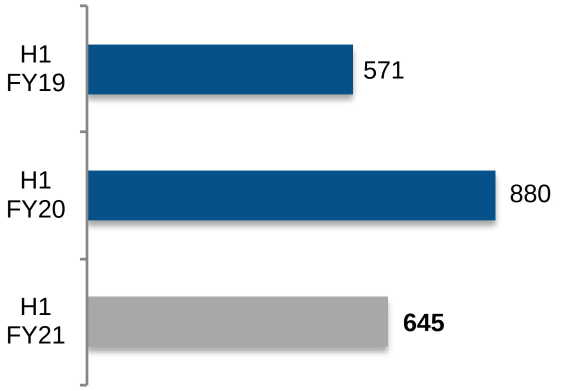
The Firm's growing real estate business in Europe has reached a new stage in its maturity with its first successful exit of the UK Industrial Portfolio, a portfolio of seven industrial real estate assets to Mileway, the pan-European last mile logistics real estate company

Investment activity ($m)



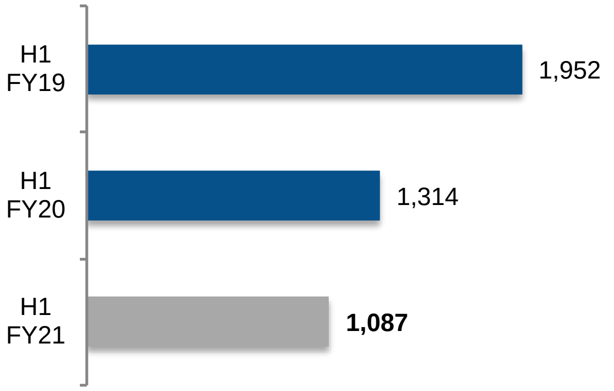
Solid levels of activity achieved with $1.4 billion of aggregate investment across Investcorp's businesses

Deal-by-deal fundraising ($m)



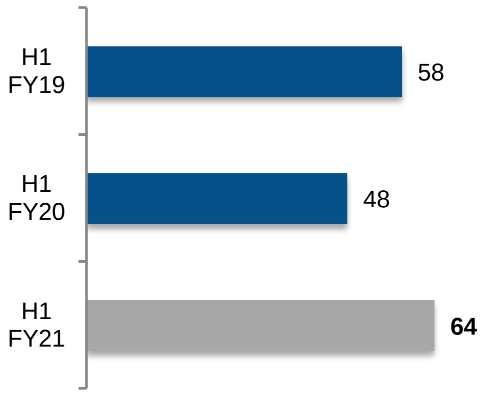
Deal-by-deal fundraising of $0.6 billion was achieved, reflecting continued client demand in both private equity and real estate

Realizations and distributions ($m)



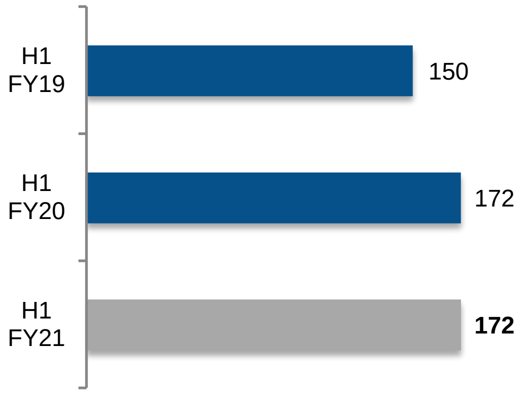
Distributions to Investcorp and its clients from investment realizations and other distributions decreased to $1.1 billion

Profit for the year ($m)



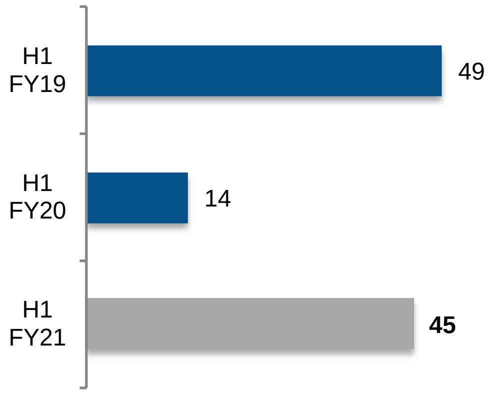
Profit for the period of $64 million was 33% higher despite the continued impact of the COVID-19 pandemic on the macro-economic and fiscal environment, driven by a solid performance across all business lines and revenues sources

Fee income ($m)



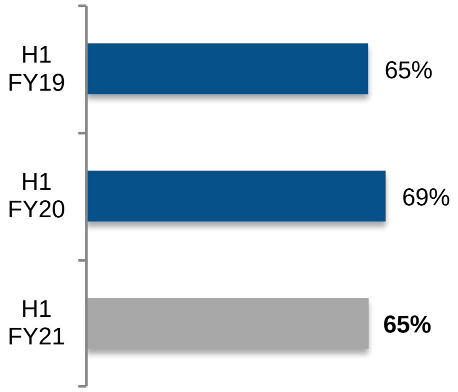
Fee income remained stable at $172 million, however the quality of earnings improved with a greater proportion of earnings attributable to recurring AUM fees

Asset-based income ($m)



Asset-based income increased to $45 million, reflecting a strong recovery across all asset classes

Cost-to-income



The cost-to-income ratio decreased to 65% in line with the increase in gross operating income

Shareholder KPIs

$0.88	15%*
Fully diluted EPS	Return on Equity

Balance sheet KPIs

Jun-20	Dec-20	
$2.1b	**$2.4b**	**Total assets** increased primarily due to higher co-investments & underwriting
$0.9b	**$1.0b**	**Total equity** increased driven by improved profitability during the period
$1.2b	**$1.1b**	**Accessible liquidity** substantially covers all outstanding medium-term debt
0.6x	**0.7x**	**Net leverage** remains below 1.0x
0.6x	**0.6x**	**Co-investments / permanent & long-term capital** remains below 1.0x

Investcorp's key performance indicators:

	H1 FY17	H1 FY18	H1 FY19	H1 FY20	H1 FY21
Gross operating income ($m)	168	208	199	186	**217**
Cost-to-income ratio	64%	66%	65%	69%	**65%**
Return on average assets*	4%	4%	5%	4%	**6%**
Return on ordinary shareholders' equity*	9%	9%	11%	9%	**15%**

* Annualized return

Total AUM ($ billions)

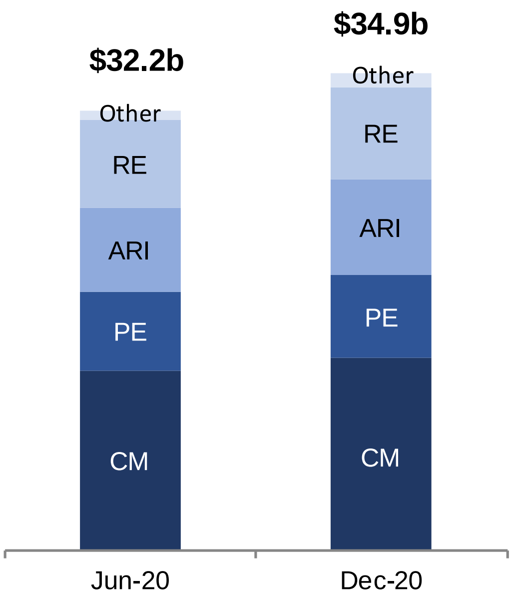
Private equity AUM increased by 5% to $6.0 billion primarily due to fundraising for two new private equity offerings, one in China and one in India

Real estate AUM also increased by 5% during the period to $6.7 billion due to the acquisition and placement of two new portfolios

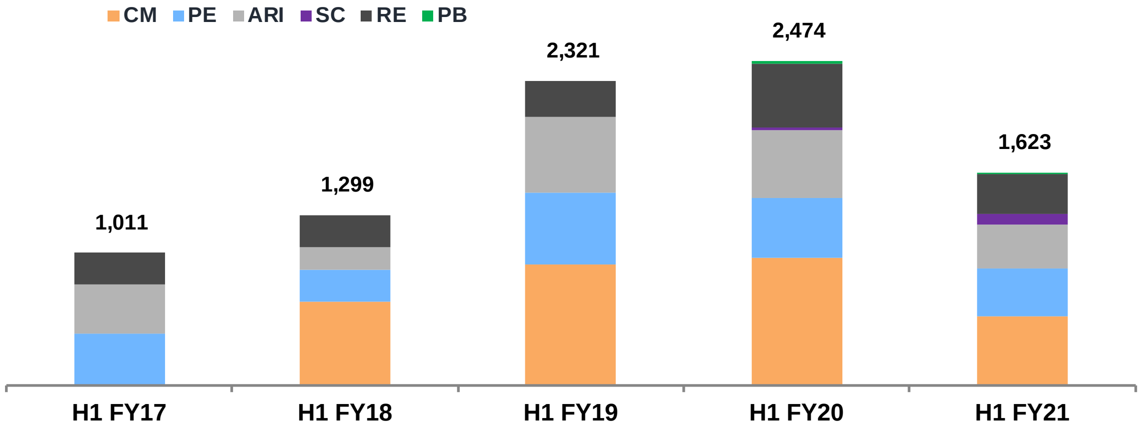
Absolute return investments AUM (managed by the Investcorp-Tages joint venture) increased by 16% to $7.1 billion, due to strong fundraising for Nut Tree Capital, HC Tech and the Tages Eckhardt Systematic Short-Term UCITS Fund

Credit management AUM increased by 7% to $14.0 billion primarily due to the issuance/pricing of one new CLO

Strategic Capital AUM increased by 53% to $0.2 billion due to new fundraising for the Investcorp Strategic Capital Partners Master Fund, L.P.



Total Fundraising – by asset class ($ millions)



Fundraising ($ millions)

Total fundraising was $1.6 billion

Private equity

$367

$328 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 continued placement of FY20 private equity offerings, primarily ZoloStays, as well as the launch of the China Pre-IPO Healthcare Portfolio, India E-commerce Portfolio, and offerings of additional investments in K.S.I. Trading Corp. and ABAX

$40 million was also raised from clients for the Asia Food Growth Fund

Real estate

$307

$307 million raised from clients across two new portfolios, and several portfolios carried over from FY20

Absolute return investments

$332

$327 million was raised for the Investcorp-Tages hedge funds partnerships platform

$5 million was raised for the Investcorp-Tages Alternative risk premia platform

Credit management

$520

$443 million was raised from the issuance/pricing of one new CLO

$40 million of new subscriptions into the open-ended senior secured loan fund, ICM Global Floating Rate Income Fund

$33 million was raised from clients for Mount Row (Levered) II Credit Fund

$4 million was raised for a new Credit Opportunities Portfolio Product

Strategic capital

$85

$85 million of new commitments raised largely for the Investcorp Strategic Capital Partners Fund

Investment Activity

Private Equity

Sanos Group Business services - Healthcare Copenhagen, Denmark	**Viz Branz** Consumer Singapore	**City Super Group** Consumer Hong Kong, China
Unilog Technology – E-commerce Bengaluru, India	**XpressBees** Technology – E-commerce Pune, India	**Kindstar Global** Healthcare Wuhan, China
WeDoctor Healthcare Hangzhou, China	**FreshToHome** Technology – E-commerce Bengaluru, India	**Lu Daopei Medical** Healthcare Beijing, China

$608 million…

… the aggregate capital deployed in ***ten new private equity investments*** *(one to be announced in H2 FY21), one existing strategic investment in a third-party technology-focused fund in the US and thirteen existing portfolio investments*

Real Estate

2020 Warehouse & Logistics Portfolio	2021 Multifamily Portfolio
	
Type: Industrial properties	**Type:** Residential properties
Locations: Cleveland, Ohio; Columbus, Ohio; Cincinnati, Ohio and Chicago, Illinois	**Locations:** Atlanta, Georgia; Owings Mills, Maryland and Jacksonville, Florida
No. of properties: 32	**No. of properties:** 5

$315 million…

*…the aggregate capital deployed in **two new real estate portfolios in H1 2021,** and one additional industrial investment (two properties) which will be contributed to a portfolio in H2 2021.*

Credit Management

Harvest CLO XXV
€420 million

$492 million…

*… the aggregate investment in **one new** CLO for the **credit management business***

Exits & Distributions

Private Equity

L'azurde
Consumer products
Riyadh, Saudi Arabia

Bindawood Holding
Consumer products – Grocery retail
Jeddah, Saudi Arabia

Avira
Technology – Security
Tettnang, Germany

$124 million…

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

Private equity exits included the sale of **L'azurde**, by Investcorp Gulf Opportunity Fund. L'azurde is the Arab world's leading designer, manufacturer and distributor of gold jewelry for the premium mass market; the sale of 20% of Investcorp's stake in **Bindawood Holding**, a leading grocery retailer in the Kingdom of Saudi Arabia, following the listing of the company on the Saudi Stock Exchange ("Tadawul"); and the entering into an agreement to sell **Avira**, a multinational cybersecurity software solutions firm. The Avira transaction subsequently closed in January 2021.

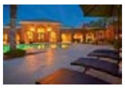
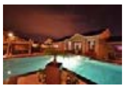
Real Estate

$540 million…

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

Significant real estate exits included the realizations of six portfolios: **US Hotel Portfolio** (with the realization of Doubletree Tulsa); **2013 Office Properties Portfolio II** (with the realization of One Westchase Center); **Florida and Arizona Multifamily Portfolio** (with the realizations of Arcadia Cove, Midtown on Main, Aqua Deerwood, Highpoint Club, Montevista at Windemere and Tuscany Palms); **New York & California Multifamily Portfolio** (with the realizations of Highlands Apartment Homes & Atlantic Point); **2016 Residential Properties Portfolio** (with the realization of The Avenue) and **Boca Raton & Minneapolis Residential Portfolio** (with the realization of University Park).

A complete list of real estate properties realized in H1 FY21 is below:

	**Doubletree Tulsa** Tulsa, Oklahama		**Atlantic Point**[1] Bellport, New York
	**One Westchase Center** Houston, Texas		**The Avenue** Indianapolis, Indiana
	**Arcadia Cove** Phoenix, Arizona		**University Park** Boca Raton, Florida
	**Highlands Apartment Homes** Grand Terrace, California		**Metric A&B Partial Sale** Austin, Texas
	**Midtown on Main** Mesa, Arizona		**Oakwell** Leeds, England
	**Aqua Deerwood**[1] Jacksonville, Florida		**Stadium Way** South Elmsall, England
	**Highpoint Club** Orlando, Florida		**Britonwood** Liverpool, England
	**Montevista at Windemere**[1] Orlando, Florida		**Grosvenor Grange** Warrington, England
	**Tuscany Palms** Mesa, Arizona		**South Gyle** Edinburgh, Scotland
	**Southpoint** Glasgow, Scotland		**263 Quigley/34 Blevins Partial Sale** New Castle, Delaware
	**Wooburn** High Wycombe, England		**7550 Plaza Court Partial Sale** Chicago, Illinois

Other Realizations and Distributions

Total credit management realization proceeds and other distributions to Investcorp and its clients amounted to $423 million over the period.

[1] Assets were recapitalized by Investcorp. Investcorp and its subsidiaries continue to have a management role in all three of the properties. Investcorp maintains a direct equity investment in Atlantic Point and is considered a current portfolio.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Adoption of Environmental, Social & Governance (ESG) Practices

Responsible investing since inception

Investcorp has been a values-based investor since inception, and this is predominantly reflected through its early adoption of exclusionary screening policies that clearly delineate the types of businesses the Firm will and will not invest in. In addition, given the Firm's investor franchise in the Gulf, Investcorp has traditionally complemented this approach by adding a further degree of scrutiny to help filter out investment opportunities that demonstrate strong business practices in compliance with Sharia principles. This approach continues to permeate throughout the Firm, across its businesses, geographies, and in the behavior of all Investcorp employees.

Building upon its history of responsible investing, Investcorp launched its Socially Responsible Investment (SRI) policy in early 2019, outlining the Firm's overall approach to integrating ESG considerations across its investment activities. Investcorp aims to deliver superior risk-adjusted returns to its investors and recognizes that the consideration of ESG issues does not require a trade-off in terms of investment returns, but is rather a necessary element of any rigorous investment process that considers all potential risks and drivers of sustainable value in the long-term.

With the support of external advisors, Investcorp rolled out a pilot program of its SRI policy across the Firm's entire business footprint in India, including its private equity and real estate investment businesses where ESG considerations have now been fully integrated into the investment process. Following this successful pilot, Investcorp appointed a team under the sponsorship of senior management to implement a thoughtful, coordinated, and consistent ESG strategy and framework across the Firm.

Investcorp views disciplined firmwide ESG adoption as an opportunity to double-down on the Firm's history of responsible investing to protect and create value for investors, build and support sustainable businesses, and attract and retain the best talent – all towards more meaningfully serving its entire community of stakeholders and delivering on its overarching purpose of *enriching the lives of future generations* in its role as a manager of long-term savings of individuals and institutions.

Development of the Firm's ESG framework

Over the first half of this fiscal year, Investcorp has made significant progress in designing a framework to enhance the embedding of ESG considerations into its overall governance practices, integrate the evaluation of ESG risks and opportunities across the investment lifecycle, and incorporate appropriate performance metrics into the Firm's annual employee appraisal cycle.

Investcorp's high-level ESG approach is framed across four elements and applied across the three layers of the Firm: corporate operations, investment lifecycle, and product management.

I. <u>Governance</u>

The governance element is designed to ensure that the appropriate decision-making and information-sharing mechanisms exist across the Firm to provide effective oversight and accountability of sustainability-related risks and opportunities. It also serves to enhance the Firm's risk management approach, particularly with regards consideration of climate-related and reputational risks with respect to both its existing and prospective portfolio of assets, as well as the Firm's own global footprint.

II. Strategy

The Firm's ESG strategy takes into consideration the Firm's outlook on long-term risks and opportunities, evolving sustainability regulation across the regions in which the Firm and its portfolio of investments operate, and the results of a stakeholder-engagement process that identifies material ESG risks that are likely to be most relevant to the Firm's activities, and therefore require focused attention.

While the Firm will prioritize overarching issues that are both highly likely to impact the decision-making of its stakeholders and have the greatest relevance to the future success of any of Investcorp's businesses, the Firm's approach will also carefully consider the nuances that exist within each asset class, industry, and geography. This may mean that there is a greater initial focus on issues such as occupational health and safety standards in India, whereas measures to ensure the privacy of customer data may take precedence in Europe.

This approach does not mean to say one issue is more important than another, but rather recognizes that the focused deployment of time and resources on material issues, as opposed to immaterial ones, can result in sustainable long-term outperformance.

III. Integration

ESG integration is a journey towards improving existing practices, and all investment professionals and corporate staff across the Firm are expected to be stewards of the Firm's policies. This approach is intended to ensure appropriate accountability for embedding ESG considerations and practices within the Firm and its investment processes, and as such, commitment to ESG and sustainability factors have been introduced in the Firm's annual employee appraisal cycle this year.

To support the integration effort, the Firm is also rolling out tools, templates, and technologies to enable the effective execution of the Firm's ESG strategy. Furthermore, Investcorp has provided dedicated training to all heads of businesses and the Firm's relationship managers, and will further leverage specialist training providers for additional support where required.

IV. Disclosure

The disclosure element is primarily designed to capture decision-useful information from investee companies that is material, measurable, comparable, and forward-looking. Investcorp understands that companies are at different stages in their respective sustainability journeys, and therefore, the Firm's initial focus is to determine what data is available and then to assess the data and systems gaps that may need to be bridged to enable Investcorp to evaluate the extent to which its portfolio companies meet relevant sustainability criteria.

In order to ensure Investcorp's community of stakeholders are kept well-informed of its activities and progress against its ESG strategy and commitments, the Firm's approach to corporate disclosure on ESG issues at both the Firm and asset levels, leverages as appropriate the standards set forth by the Sustainability Accounting Standards Board (SASB) and its industry-specific standards, the United Nations Principles for Responsible Investment (UN PRI), and the Taskforce for Climate-Related Disclosures (TCFD). Given the fast-evolving nature of corporate sustainability disclosure standards, Investcorp will continually monitor developments in order to align with emerging standards and best practice.

Recent firmwide initiatives

In addition to focusing on ESG adoption across its investment portfolio, Investcorp continually seeks to implement initiatives that improve its impact on the environment, the well-being of its employees, and the advancement of the communities in which it operates.

I. Socially responsible operations

Investcorp recently conducted a firmwide socially responsible operations study to identify opportunities to improve current operations practices and the Firm's impact on the environment. The Firm has since started to implement several recommendations of the study or doubled-down on efforts that were already under way, including:

- Recycling and plastic reduction efforts across all offices, including phasing out the use of plastic bottles and disposable paper cups and/or cutlery;
- Ensuring air conditioning systems are programmed to switch off during periods when the offices are unoccupied;
- Increasing the use of motion sensor technology to save energy, or at the very least ensure lights are switched off manually at the end of every day by facilities staff;
- Replacing all florescent and halogen-based lighting with energy-efficient LED lighting;
- Reducing non-essential business travel including the use of taxis and private cars, with a commensurate increase in investment on video conferencing and similar technologies;
- Limiting the use of printed materials and increasing the provision of recycled printing paper, with a commensurate increase in investment in digital interfacing technology (e.g., iPads and Microsoft Surface devices) and cloud-based productivity solutions (e.g., DocuSign, Coupa, etc.);
- Significantly reducing the number of printed annual reports; and
- Ensuring, where possible, food and drink is locally sourced, wastage is minimized, and disposed of in a socially responsible manner.

The Firm is currently investigating ways its suppliers can improve on the services they provide to Investcorp (e.g., ensuring the Firm's cleaning vendors use non-toxic chemicals on premises).

II. Employee well-being

In addition to the Firm's environmental efforts, and in recognition of the untold impact that the pandemic has had on the mental health and well-being of all, Investcorp recently rolled out Headspace – an application that offers meditation techniques to help improve the health and happiness of its users – to all employees globally; this initiative reflects the Firm's recognition that the mental health of its employees is a key priority for Investcorp.

The Firm also expanded its telehealth options for employees globally and has offered all staff the opportunity to speak with qualified clinical counsellors on personal matters that may be interfering with daily life, on a strictly confidential basis. In the US, the Firm rolled out information on available mental health resources such as LifeWorks, Psych Hub, and NYC Well. In addition to annual health and wellness stipends, the Firm also enhanced its maternity and paternity benefits globally, and in all cases above that required by law.

The Firm has also made changes to its London office to increase cycle rack capacity to provide staff with an alternative to public transport. Investcorp is affiliated with Cyclescheme, a cycle to work scheme in London where the Firm covers the employee's initial cost to purchase a bike, with monthly tax-deductible repayments made by employees.

Investcorp is currently reviewing its flexible working policies globally to ensure that any future approach serves the evolving interests of both the Firm and its employees.

III. Community engagement

Investcorp is committed to supporting local and regional efforts to elevate the skills and perspectives of talented young students, and one such effort is the Firm's partnership with INJAZ Al-Arab, the regional hub in the Middle East for Junior Achievement Worldwide, a non-profit organization that provides education and training in workforce readiness, financial literacy, and entrepreneurship to hundreds of young people each year. Operating in 13 countries, and working with over 4000 schools and 300 universities, INJAZ is now the largest non-profit organization dedicated to overcoming unemployment in the MENA region, having engaged 3.7 million students since inception.

In November 2019, Investcorp strengthened its five-year ongoing commitment to this initiative and launched the 'Investcorp Value Creation Award', where Investcorp investment professionals facilitate a case study for participating university students on value creation initiatives undertaken at one of the Firm's portfolio companies.

Sustainable by design offices

In India, Investcorp recently completed the fit-out of its new premises located in the LEED Platinum-certified (Leadership in Energy and Environmental Design) Godrej building in the Bandra Kurla Complex, the highest rating for sustainable buildings globally.

The design and fit-out of the Firm's new offices in India has sustainability and the health and welfare of Investcorp's staff at its core. The office's biophilic design, installation of recyclable and energy-efficient LED lighting, and considered use of environmental-friendly materials throughout (e.g., 'Green Label Plus'-certified Tuntex carpets, recyclable drywall gypsum partitions, and Haworth furniture that embeds circular design thinking), demonstrates the importance Investcorp places on energy efficiency, the conservation of the environment, and the continued well-being of its employees. Throughout the duration of this project, Investcorp worked closely with its project manager to ensure that the execution of the fit-out itself employed sustainable practices to reduce waste, manage energy usage, and ensure the well-being of the project team.

Towards building a sustainable future

The Firm strongly supports global efforts to develop guidelines and standards that will enable companies such as Investcorp to build agile businesses that are both resilient and adaptable in the face of change, and ultimately contribute to the development of stronger economies across the world.

Over the next twelve months, Investcorp will roll out its ESG framework in a disciplined manner across each of its asset classes and geographies, whilst ensuring that the necessary feedback loops are in place to allow for the continual refinement of the framework.

Investcorp is a signatory to the United Nations Principles for Responsible Investment, reflecting the Firm's continued journey towards building a sustainable future and towards enriching the lives of future generations.

DIVERSITY AND INCLUSION

Commitment to Fostering a Diverse & Inclusive Workplace

Investcorp continued to look at various diversity & inclusion (D&I) initiatives to promote all aspects of D&I across the Firm globally in order to foster an environment of inclusion.

DIVERSITY & INCLUSION

GLOBAL GENDER

69%

31%

AGE PROFILE

40 Years

DIVERSE GLOBAL REPRESENTATION

~430
Employees

43
Nationalities

KEY HIGHLIGHTS

TALENT ACQUISITION

The firm launched a hiring strategy which was implemented in FY21. All open positions are required to shortlist a 50% minimum of diverse candidates before proceeding to a final interview and/or offer.

TRAINING & DEVELOPMENT

All employees and new hires undergo mandatory unconscious bias, diversity and inclusion training on an annual basis.

DIVERSE TEAMS

We are committed to fostering an open, inclusive and diverse culture. We appointed a diversity lead for each of our offices globally to ensure that diversity measures are taken and being enhanced across the Firm.

INVESTCORP LEADERSHIP COMMITMENT

30% Club

LEVEL 20

100 Women in Finance

CEO ACTION FOR DIVERSITY & INCLUSION

In addition to the annual health and wellness stipends, the Firm has also enhanced its maternity and paternity benefits globally, and in all cases above that required by law.

BUSINESS ENVIRONMENT

Private Equity – North America and Europe

US middle-market private equity (PE) deal activity rebounded modestly in the third quarter (Q3) of calendar year[1] 2020, following its slowest quarter in years. US PE middle-market Q3 activity totaled $295.2 billion across 1,933 transactions. According to Pitchbook, this data puts the year almost on pace with 2017's figures, in terms of both capital invested and total number of deals. The use of add-on deals became more prevalent in Q3. Middle-market add-ons have accounted for nearly half of all US PE deals through Q3 2020, resulting in smaller deal sizes. The median mid-market deal size is just $157.0 million through Q3 2020, lower than any year since 2016, according to Pitchbook.

US PE deal flow by year

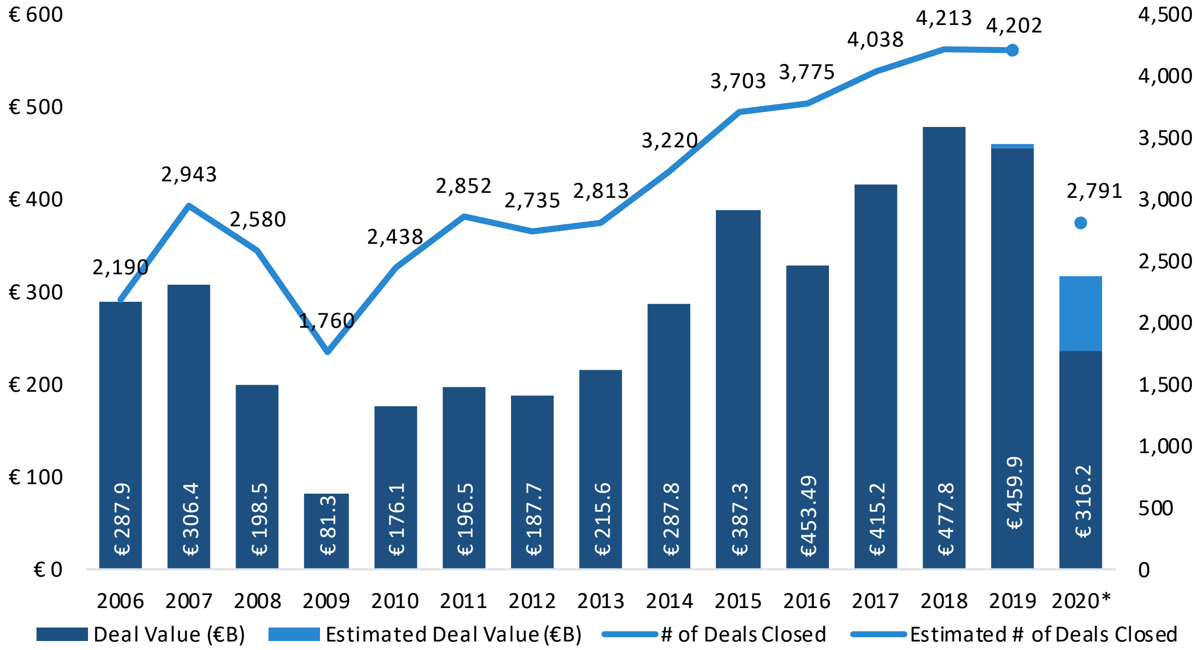
*As of September 30, 2020. Unknown values are estimated based on known figures.
Source: Pitchbook Q3 2020 US PE Middle Market Report

Q3 was the quarter in 2020 during which European economies started to re-open after the first 'big lockdown' which was triggered by the COVID-19 crisis. According to Pitchbook, European dealmakers closed on 972 transactions totaling to €100.8 billion, a quarter-on-quarter increase of 32.9% and 2.9% respectively after a significant slowdown in Q2 2020. On an annual basis however, deal volume in Q3 2020 was down 6% compared to Q3 2019 with deal value 20% down year-on-year. The rise in PE deal volume in Q3 from Q2 2020 can largely be attributed to resilience shown in the lower end of the market. In Q3 2020, the volume of deals that closed under €25 million grew nearly one fifth from the previous quarter. The development of the European private credit space has made financing for smaller transactions easier to obtain and may explain why there has been an uptick in deal count for transactions in this size bucket. The proportion of IT deal volume hit 29.7%, a new quarterly peak, indicating the resistance of the sector to the pandemic. Competition for such assets is expected to remain fierce due to elevated dry powder levels, meaning valuations are expected to sustain if not increase for IT businesses.

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

The median four-quarter-rolling PE EV/EBITDA buyout multiple came in at 9.0x for Q3 2020, unchanged from Q2 2020 and with valuations being extremely sector dependent.

Europe PE deal activity



*As of September 30, 2020. Unknown values are estimated based on known figures.
Source: Pitchbook Q3 2020 European Breakdown Report

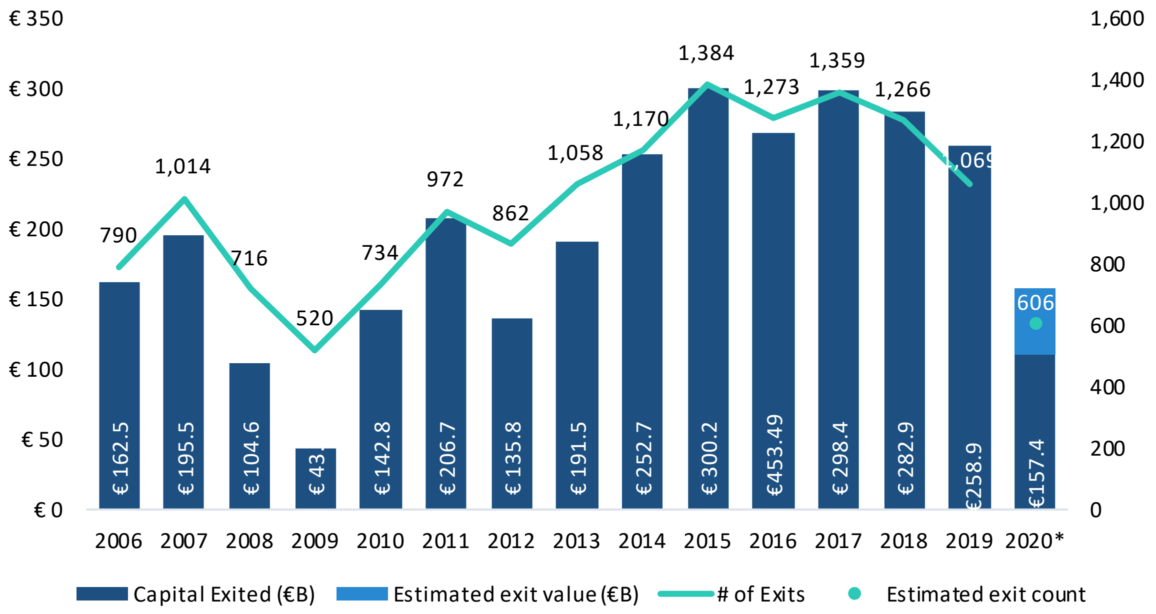
US PE middle-market exit activity has slowed through the first three quarters of 2020, with only 478 exits representing $83.7 billion, as PE firms wait for a more amenable exit environment. According to Pitchbook, for the first time since 2009, there has been a substantial reduction in sponsor-to-sponsor exit activity, while middle-market exits via IPO have been almost nonexistent in 2020. Because PE firms are not forced sellers, holding periods are getting longer. The average median exit time has increased slightly during 2020 to 5.4 years from 5.25 years in 2019. It is expected that exit activity will continue to decline through the end of the year, as PE firms avoid exiting portfolio companies at discounts and instead choose to hold for longer periods until the market improves. Select assets that have proven pandemic resistant may be sold, 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 September 30, 2020. Unknown values are estimated based on known figures.
Source: Pitchbook Q3 2020 US PE Middle Market Report

Unlike the number of deals closed in Q3 2020, European PE-backed exits remained relatively flat compared to the previous quarter. According to Pitchbook, exits in Q3 2020 amounted to €58.1 billion across 182 transactions, a quarter-on-quarter increase of 6.9% and 1.9%, respectively. However, on an annual basis exit count is pacing towards a ten-year low, and the severe declines in exit value and volume were evident, accounting for year-on-year decreases of 35.0% and 36.5%, respectively. As expected, general partners (GPs) avoided exiting portfolio companies at discounts due to the COVID-19 pandemic and chose instead to hold assets for longer periods.

European PE exit activity



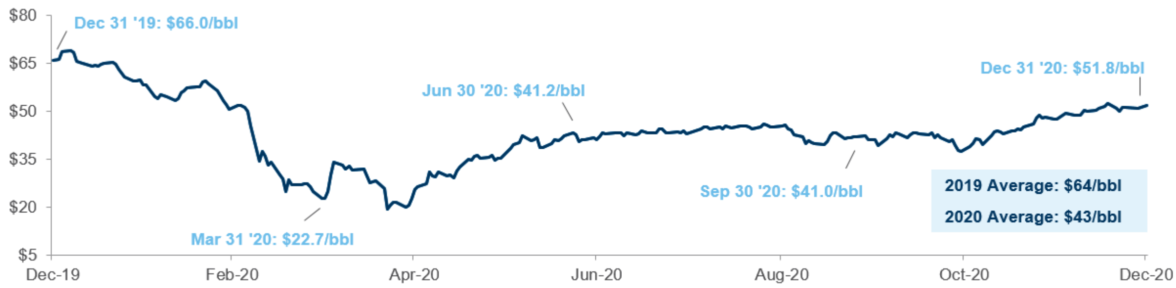
*As of September 30, 2020. Unknown values are estimated based on known figures
Source: Pitchbook Q3 2020 European Breakdown Report

Private Equity – MENA

In line with the first half of 2020 (H1 2020), oil prices remained under pressure in Q3 2020, as the resurgence in Covid-19 infections in the US and Europe fueled worries about prolonged oil demand weakness compounded by a weaker-than-expected US jobs report and higher Libyan crude supplies. Q4 2020 ended on a relatively positive note overall driven by improved oil demand in China and India and optimism around Covid-19 vaccines rollout. In December 2020, the OPEC+ agreed to increase production by 500,000 barrels per day beginning in January 2021 bringing total production cuts at the start of 2021 to 7.2 million barrels per day.

Overall, crude oil prices averaged at $43.2 per barrel for the full year 2020, down 33% from the $64.2 per barrel average in 2019. The U.S. Energy Information Administration in its December 2020 report projects oil prices to average $49 per barrel in 2021.

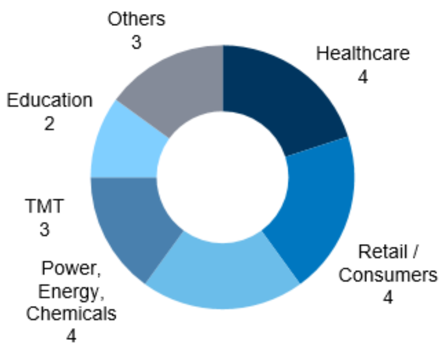
Brent Crude Oil Price: December 31, 2019 – December 31, 2020 ($bbl)

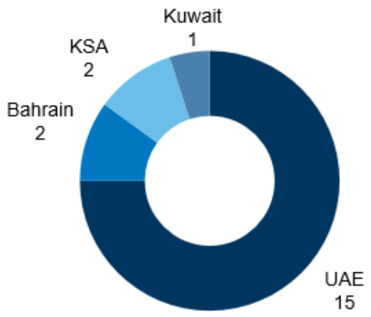


Source: Bloomberg

The year 2020 recorded 74 M&A transactions in the GCC region, compared to 97 transactions in 2019 (-24%). Transactions led by a financial buyer increased to 20 in 2020 compared to 15 transactions in 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 eight exits by a financial investor.

Breakdown of GCC Private Equity Transactions in CY 2020 (January 1 – December 31, 2020)





Source: Merger Market, Investcorp Analysis as of December 31, 2020

Note: Others includes Financial Services, Industrials and Other Services

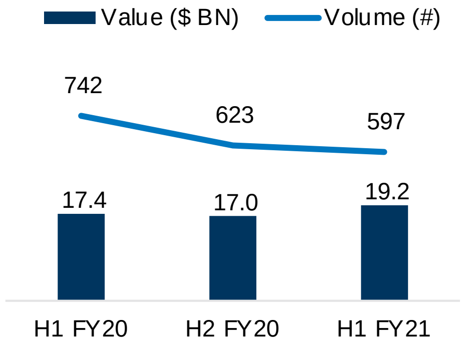
During 2020, there were eight IPOs in Turkey with a total capital raised of approximately $151 million. On the M&A front, Turkey recorded 75 M&A transactions in 2020 compared to 95 transactions in 2019 (-21%). Transactions led by a financial buyer increased to 16 in 2020 compared to seven transactions in 2019. During the same period, there were ten exits by a financial investor.

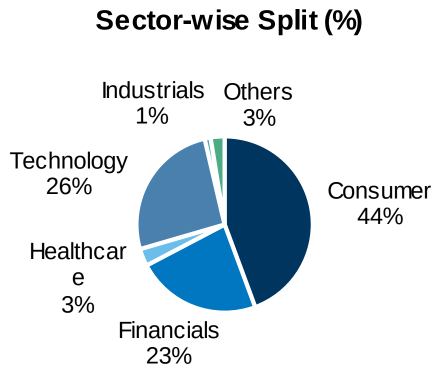
Private Equity – India

Investment Activity

Due to the large investments in the group entities of Reliance Industries (Jio Platforms and Reliance Retail) worth approximately $7 billion in H1 fiscal year (FY) 2021, the total value of private equity (PE) / venture capital (VC) investments has been better than anticipated. PE investments are up 10% year-on-year in value but down 20% in volume.

Companies focused on essential goods and services as well as technology/tech-enabled businesses (especially ed-tech) have received a major chunk of PE/VC investments.

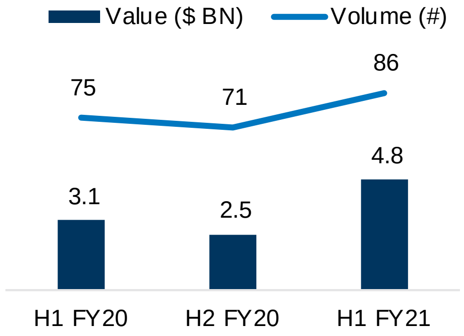


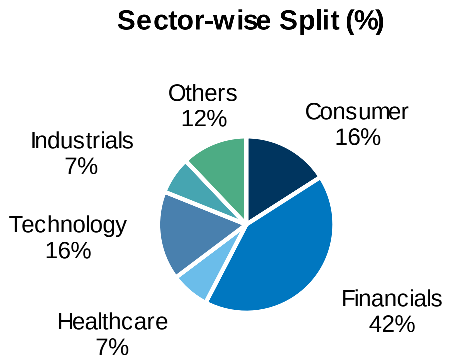


Source: VCCEdge, E&Y

Exit Activity

Exits were higher compared to last year and the IPO market has picked up momentum. PE/VC exit activity is expected to pick-up significantly in 2021 as secondary and strategic investments revive on the back of sustained demand revival and IPOs of PE/VC backed companies.
PE exits are up 55% year-on-year in value and 15% in volume due to buoyant capital markets in H1 FY21.





Source: VCCEdge, E&Y

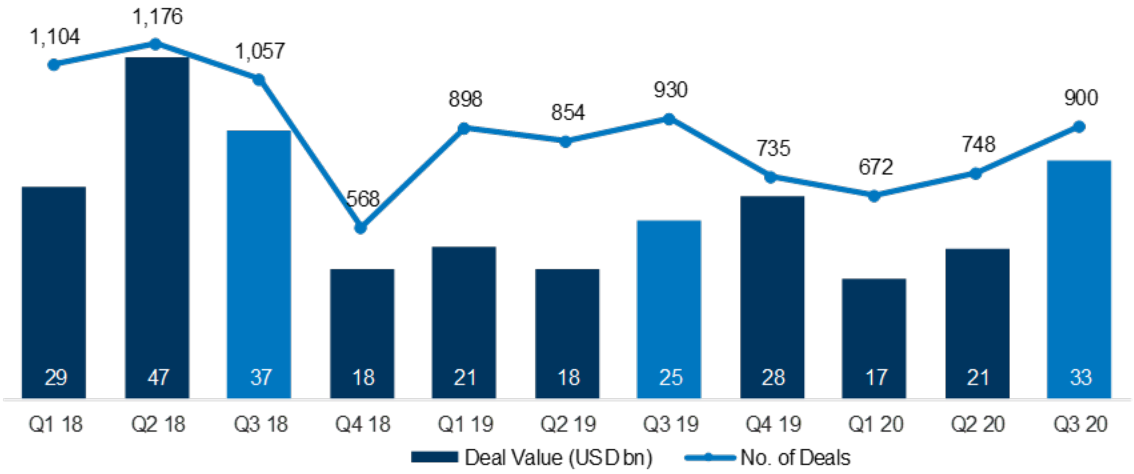
Fundraising Activity

Fundraising activity declined in H1 FY21 versus H1 FY20 as LPs remained focused on managing their larger public market portfolios and restricted their new commitments to tried and tested funds only.

Private Equity – Asia

In China, PE investment has rebounded for two consecutive quarters driven by economic recovery. As of Q3 2020, 900 PE transactions were announced in China, totaling $33 billion in deal value. Deals showed a decrease of 3.2% and an increase of 34.0% on a year-over-year basis in terms of number of deals and deal value respectively. Biotech/healthcare and IT remain the most active sectors, which together account for approximately 41% of the total deal number in Q3 2020.

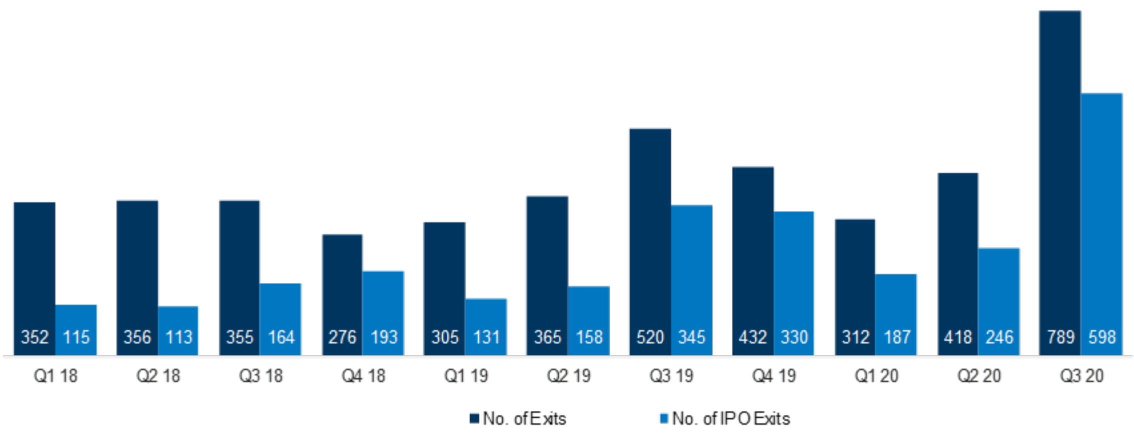
China PE deal activity



Source: PEdata as of October 31, 2020. Note: Assuming FX (USD/CNY) of 6.5

As of Q3 2020, 789 PE transactions were announced in the China exit market – representing a year-over-year increase of 51.7%. Of these transactions, 598 PE-backed IPO exits have taken place in Q3 2020, a 73.3% year-over-year increase, primarily driven by the increasing number of IPOs on the Sci-Tech Innovation Board.

China PE exit activity

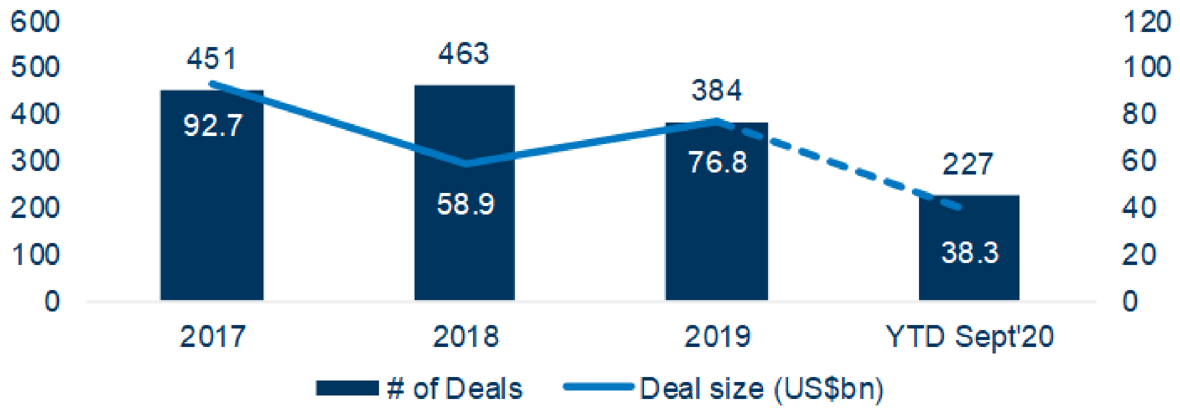


Source: PEdata as of October 31, 2020

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.

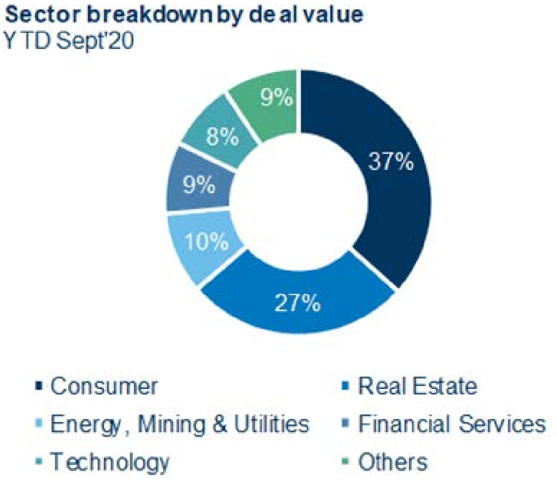
M&A activity in Q3 2020 showed signs of recovery compared to Q2 2020 during the peak of COVID-19. The recovery in M&A activity was mainly driven by strong intra-regional activity generating $5.4 billion across 36 deals in Q3 2020 (+277%) compared to $1.4 billion across 37 deals. PE buyouts also showed signs of rebound in activity with $2.6 billion invested across nine deals in Q3 2020 compared to $1.6 billion invested across 12 deals in Q2 2020. Key trends emerging from ASEAN which have been either caused by or accelerated due to the pandemic revolve around the adoption of digital technology within healthcare, consumer, financial services ('FinTech') and e-commerce / logistics. 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.

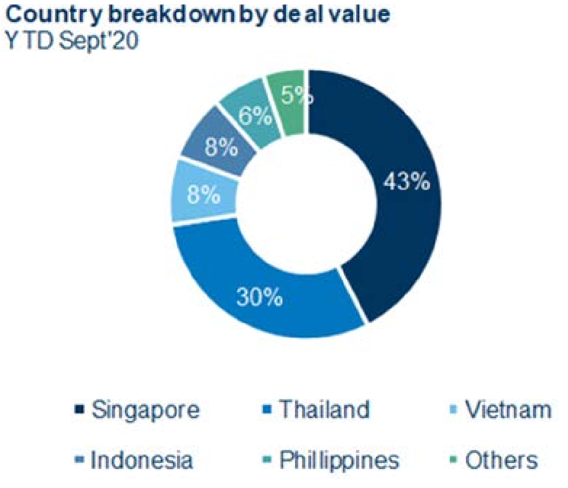
M&A activity - Deals in Southeast Asia, 2017 – YTD Sept 2020



Source: Merger Market Report Q1-Q3 2020

M&A activity – Deals breakdown in Southeast Asia - YTD Sept 2020



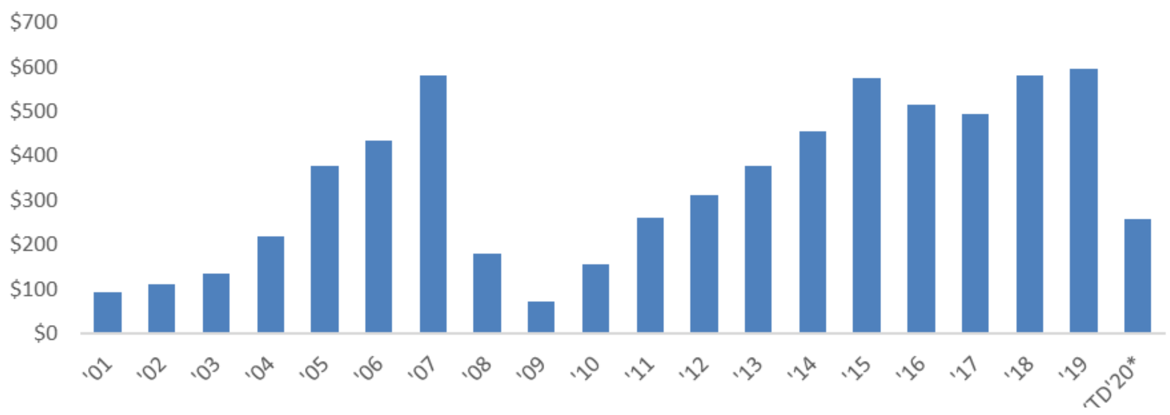


Source: Merger Market Report Q1-Q3 2020

Real Estate Investment – North America

With the onset of COVID-19 in mid-March 2020 and continuing through the writing of this report, states and cities continue to apply varying quarantine requirements and restrictions related to travel and business operations. During this time, commercial real estate market fundamentals in the US have varied, depending on which asset class is being considered, with industrial and multifamily leading in terms of performance. Investcorp continued to see rent collections in the mid to high 90% range through December 2020 across its US real estate portfolio (above the national average). This is largely due to Investcorp's primary investment focus on the industrial and residential spaces. Per Real Capital Analytics, US real estate transaction volume was down 55% in Q3 2020 compared to the same period a year prior due to COVID-19 impacts, specifically a shutdown of markets across the US and the world in Q2 2020. Real estate transaction volume in Q3 2020 however was up by 45% quarter-over-quarter from Q2 2020, due to the reversal of shutdown orders in many states and an increased understanding of how to conduct business in the current market environment. It is expected that this trend will continue in the upcoming quarters due to pent-up demand from both buyers and sellers, and positive momentum due to the approved COVID-19 vaccine. Investcorp's decision several years ago to focus mainly on residential assets (multifamily and student housing) and industrial, has proven prudent in the current market.

Transaction Volume ($ billions)



* Year-To-Date ("YTD") through Q3, 2020; Source: Real Capital Analytics, Inc. Q3'2020

US market fundamentals for the **industrial sector** remained robust year-to-date through Q3 2020. The sector is widely acknowledged to be well positioned to benefit from the COVID-19 crisis and to lead the economic recovery. According to CBRE, there continues to be strong indicators of continued strength in the sector, which included net asking rents rising 6.4% year-over-year and vacancy remaining historically low at 4.7% as of Q3 2020. In addition, Q3 2020 recorded positive net absorption of 56.8 million sq. ft., which is the 42nd consecutive quarter of positive net absorption. Further, through Q3 2020, positive net absorption has been 120 million sq. ft. in 2020, the 10th consecutive year of 100 million plus sq. ft. of positive net absorption. Experts are of the view that the COVID-19 crisis has accelerated an ongoing transition of consumer spending from brick and mortar retail to online shopping, creating higher demand for warehouse space. Over the next several years, e-commerce sales growth is expected to generate 400-500 million sq. ft. of excess demand for industrial space. Additionally, there is renewed interest from both corporations and the government to bring more manufacturing and warehousing/storage back to the US as a result of the disruptions to the US supply chains from COVID-19. Low availability rates and strong leasing demand have resulted in sustained rent growth. The average net asking rent grew by 1.8% quarter-over-quarter as of Q3 2020 to $8.09 per sq. ft. – the 36th consecutive quarter of rent growth. Strong fundamentals through Q3

2020, increased need for supply chain diversification, and shifting consumer sentiment provide strong evidence of continued growth of the industrial sector.

While the US economy was impacted by nationwide job losses due to strict stay-at-home orders issued by most states because of COVID-19 in March 2020, fundamentals in the **"for rent" multifamily sector** remained relatively strong. Suburban submarkets (where Investcorp invests) continue to outperform urban markets due to high concentrations of COVID-19 in many cities and increased remote-working arrangements. Investcorp projects that the multifamily market will stabilize in Q2 2021 on the heels of a COVID-19 vaccine and should experience solid performance throughout the rest of 2021. During the first three quarters of 2020, owners saw a significant increase in tenant renewals which offset any short-term reduction in new leasing and has had the net effect of maintaining strong occupancy. Vacancy rates as of Q3 2020 remain low at 4.4%, which was down slightly (16 basis points) from the prior quarter. According to the National Multifamily Housing Council, rent collections have remained in the low 90% range nationally across all sub-asset classes; this level is generally consistent with historical collections. Despite the impact of COVID-19, demand for Class B, renter-by-necessity, multifamily housing (Investcorp's focus) has remained very strong. This is evidenced by Investcorp collecting 96% of rents across its multifamily portfolio for April to December 2020. Among investors, the multifamily sector continues to be viewed as a safe haven.

The **US office sector** was impacted by the strict stay-at-home orders issued by most states starting in March 2020 due to COVID-19, which has led to a downturn in performance. According to CBRE, in Q3 2020, the office market recorded 33.5 million sq. ft. of negative net absorption, the largest quarterly decline since 2001. Overall office vacancy rose by 1.0% quarter-over-quarter to 14.0%, the highest level since 2014. Leasing activity was down 39.0% year-over-year as of Q3 2020, however there was an increase in activity towards the end of the quarter. Average gross asking rents in Q3 2020 increased by 0.9% from the previous quarter to $35.87 per square foot. This increase in rent was mainly due to owner's reluctance to reduce rents, and instead provided tenants with additional concessions through free rent and tenant improvement allowances. While the near-term impacts of COVID-19 on the office sector has caused deterioration in immediate performance, until the pandemic has ended, and workers return to a more "normalized" working routine following the rollout of the vaccine, the short-term outlook for the office sector remains choppy.

The **US student housing sector** has historically performed well during prior recessionary periods and was experiencing strong performance in both occupancy and revenue growth before COVID-19 impacted the US in 2020. The impact of COVID-19 has led to varying performance depending on the student housing market. Primary markets with large public universities (where Investcorp's student housing assets are located) have fared much better than secondary student housing markets with smaller or private universities. Each underlying university experienced varying performance in the 2020 academic year depending on the school's policy on in-person classes. However, for universities that did not fully re-open, a high percentage of students still returned to their schools. Further, off-campus student housing communities benefited 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 comply with the COVID-19 social distancing requirements. Despite COVID-19, effective asking rents still grew year-over-year by 1.4% in the Fall of 2020 (down from 1.7% in the Fall of 2019). However, nationwide occupancies took a hit, and on average dropped approximately 4% from the prior academic year. It is expected that the student housing asset class will continue to be a strong performing asset class 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 throughout 2020 despite the disruptions to the UK economy caused by COVID-19. Following a strong second quarter, UK industrial & logistics take-up achieved a record high in Q3 2020 of 13.5 million sq. ft. (up 73% year-on-year). Demand has remained robust in Q4 2020 with full year 2020 take-up expecting to hit 45 million sq. ft., making 2020 the strongest year in history in terms of take-up.

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 the majority of the floor space taken in the first three quarters 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 2021, the appetite for logistics space is expected to continue to grow. Since the outbreak of COVID-19, rental growth has been steady. It is forecast to remain positive at 3.5% p.a.

Investment volumes for UK distribution warehouses have reached £4.7 billion in 2020, a 25% increase on 2019 and a 121% increase on the long-term average, despite a muted second quarter as the investment market paused due to COVID-19. Prime yields for logistic assets have seen further downward pressure and now stand at 3.75%.

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 in Q2 2020 at an earlier stage than many of its peers. Although a second lockdown has also been in effect in Germany since November, offices are not officially closed, and employees may use public transport to commute to and from work. This is reflected in the performance of the German office market, which has remained largely stable during 2020.

The 'Big 7' German office markets (Berlin, Cologne, Dusseldorf, Frankfurt, Hamburg, Munich and Stuttgart) recorded take-up of approximately 2,595,000 sq. m. in 2020. This represents a 35% year-on-year decrease which is only partly due to COVID-19; the lack of suitable supply in the 'Big 7' office markets is also a significant reason for the decline in take-up. The aggregate vacancy rate is up 20 basis points year-over-year, but still averages a historically low 3.5% across the 'Big 7'. Despite the subdued demand, rents remained largely stable or increased. On average, prime rents in the 'Big 7' rose by 2.1% in Q4 2020 compared with the previous quarter and by 3.6% year-on-year. Average rents increased by 1.3% year-on-year.

The focus of lettings in 2020 was increasingly on central locations in high-quality units. 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. It is expected that office absorption will pick up again in 2021.

Real estate investment volumes totaled approximately €58 billion across Germany as of Q3 2020 which is slightly above the previous year's level. Appetite for German office remained robust with a transaction volume of €14.2 billion for the first nine months of 2020, although this represents a significant decrease compared to the previous record year (around €21 billion). The aggregated prime office yield across the 'Big 7' amounts to 2.85% (down from 2.97% as of Q3 2019).

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.

In the first three quarters of 2020, a total of 695,000 sq. m. of office space was occupied which represents a 20% decline compared to the same period in 2019, with big cities being impacted the most. Besides COVID-19, one of the main reasons for this decline is the lack of availability of good quality office space in sought after locations. Vacancy in the Dutch office market decreased by 0.1 percentage points to 8.2% of the total office stock in the Netherlands; this is the lowest vacancy rate since 2002. This is not expected to change in the near future; there is still very little supply in the largest office markets across the Netherlands.

The Dutch office market accounted for approximately 22% of the total investment volume in the first three quarters of 2020. This brings the investment volume to €2.4 billion, a decrease of 38% compared to the same period previous year. Prime office yields have remained stable at 2.85%.

Belgium

Belgium is among the European nations worst affected 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 the first 9 months of 2020 was approximately 316,100 sq. m. compared with approximately 447,000 sq. m. in 2019 over the same period. This reflects a 30% year-on-year decrease. The decline is mainly due to muted activity of the public sector which shrunk by 89%, the COVID-19 lockdown and the “wait-and-see” approach taken by many office occupiers. The vacancy rate increased slightly to 7.5% as of Q3 2020 compared to a vacancy rate of 7.0% as of Q3 2019. Prime rents in Brussels have remained stable in Q3 2020.

Commercial real estate investment activity in Brussels remained high throughout 2020. Transaction volumes across all sectors in Belgium reached approximately €5.8 billion as of Q4 2020 – the best result on record. However, investment volumes were driven by a few very large transactions accounting for more than 30% of total investment volume. The Brussels office market accounted for more than 50% of total Belgian investment volume, representing an increase of approximately 50% year-on-year. Prime yields have remained stable at 3.5%.

Real Estate Investment – India

Global Trends

Home loan rates are at a multi decade low of sub 7%, this coupled with a fall in residential prices, aggressive marketing of ready inventory, and indirect discounts has helped bolster demand since September 2020. A limited period stamp duty cut of 300 bps also supported sales in prime markets such as Mumbai and Pune. The extension of moratorium on loan instalments permitted by the Reserve Bank of India and partial return of construction labourers to project sites (due to winding down of the government-imposed lockdowns) have also helped developers progress on project completions.

Investments

The sector has witnessed $2.31 billion of investments across 11 deals as of September 2020, compared to $5.32 billion in September 2019. The largest deal of 2020 was $2 billion by Brookfield in RMZ Group. The residential sector received $216 million (three deals) up to September 2020. The commercial office sector received $1.88 billion ($1.63 billion in one deal) up to September 2020 (four deals). Other sectors including retail & warehousing received $221 million up to September 2020.

Warehousing, data centres (commercial office) and affordable housing (residential) sectors are best poised for a recovery in 2021. Retail and hospitality sectors would take a longer time to recover but would witness cherry-picking for specific assets.

Residential Sector

As the lock-down started unwinding the real estate sector picked up good traction, with launches and sales growing by over 77% and 84% between September 2020 and December 2020 in the eight major cities of Mumbai, National Capital Region, Bengaluru, Chennai, Hyderabad, Kolkata, Pune and Ahmedabad.

Supply launches in December 2020 were almost at 100% of the volume witnessed in December 2019. Sales witnessed a near similar trend and reached exactly 100% of the 2019 quarterly average in December 2020, on the back of latent demand driven by economic recovery and the festival period.

India Market Snapshot (Quarterly)				
	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Sales (Housing Units)	49,905	9,632	33,403	61,593
Sales as a % of 2019 Quarterly average	81%	16%	54%	100%
Launches (Housing Units)	54,905	5,584	31,106	55,033
Launches as a % of 2019 Quarterly average	98%	10%	56%	99%

India Market Snapshot (Residential)						
PARAMETER	2020	2020 CHANGE (YOY)	H2 2020	H2 2020 CHANGE (YOY)	Q4 2020	Q4 2020 CHANGE (QoQ)
Launches (Housing units)	146,628	-34%	86,139	-23%	55,033	77%
Sales (Housing units)	154,434	-37%	94,997	-19%	61,593	84%
Unsold Inventory (Housing units)	437,920	-2%	-	-	-	-
Quarters to sell	10.1	-	-	-	-	-
Age of unsold inventory	16.7	-	-	-	-	-
Unsold inventory, QTS and Age of Inventory are end of period parameters and the same for 2020, H2 2020 and Q4 2020						

The housing market is set to chart a new chapter of growth in 2021, fuelled by affordability, reinforced desire to own a house and renewed interest from certain buyer segments such as NRIs.

Commercial Office Sector

The commercial office sector had witnessed steady demand, rentals and absorption between 2014 – 2019. The COVID-19 imposed lockdowns caused a sudden and deep drop in transaction volume and overall completions (under construction, ready for fit-outs). As lockdowns eased between June 2020 & September 2020, corporate offices operated at 30-50% capacity in most of the major cities.

Total transactions and office completions recovered by 80% and 126% in September 2020, compared to June 2020. There was further recovery in December 2020 as transaction volume grew substantially by 271% quarter-on-quarter reaching an impressive 115% of the pre-COVID-19 level (2019 quarterly average). Transactions exceeded new completions, keeping rental levels flat or positive in four of the eight major cities, while rentals fell in the range of 1-6% in rest of the markets.

India Market Snapshot (Commercial Office – Quarterly)				
	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Transactions Mn sq.m (sq. ft.)	1.4 (14.6)	0.2 (2.6)	0.4 (4.7)	1.6 (17.5)
Transactions as % of 2019 Quarterly average	96%	17%	31%	115%
New completions Mn sq.m (sq.ft.)	1.2 (13.2)	0.5 (5.2)	0.7 (7.1)	0.9 (10)
New Completions as % of 2019 Quarterly average	86%	34%	47%	65%

About 4.2 million sq. ft. of the total transacted volumes of 17.5 million sq. ft. was contributed by pre-commitments to built-to-suit and under-construction properties, clearly indicating that the economy is moving towards normalcy as businesses have re-initiated their expansion plans.

India Market Snapshot (Commercial Office)						
PARAMETER	2020	2020 CHANGE (YOY)	H2 2020	H2 2020 CHANGE (YOY)	Q4 2020	Q4 2020 CHANGE (QoQ)
Completions Mn sq.m (sq. ft.)	3.3 (35.5)	-42%	1.59 (17.2)	-54%	0.93 (10.0)	41%
Transactions Mn sq.m (sq. ft.)	3.66 (39.4)	-35%	2.06 (22.2)	-33%	1.63 (17.5)	271%
Stock Mn sq.m (sq. ft.)	73.5 (791.7)	5%	-	-	-	-
Vacancy (%)*	15.50%	-	-	-	-	-
*End of period number						

Sources: Knight Frank India Research for Q3 2020 and H2 2020

Absolute Return Investments

Hedge funds delivered performance of 12.2% for the first half of fiscal year (FY) 2021, as measured by the HFRI Fund of Funds Composite Index.

Global macro discretionary funds posted a strong first half of FY21 with the HFRI Macro (Total) index up 6.04% and the HFRI Macro: Discretionary Thematic index up 8.98%. Key sub-strategies indicated a more challenging period for commodity and FX managers with the HFRI Macro: Commodity index 2.6% and the HFRI Macro: Currency index 0.96%. Managers that were positioned for a “risk on” type of environment in H1 FY21 with positioning such as long emerging markets, long equities, short duration and a weaker dollar performed well. In addition, managers that were able to selectively time within commodities such as long energy, metals and agriculture sectors performed well.

Commodity trading advisors (‘CTA’) underperformed both broader hedge fund indices and the global macro discretionary managers in both H1 FY21 and calendar year 2020. The HFRI Macro: Systematic Diversified index gained 5.91% and the Societe Generale CTA index was up 6.01%. CTA managers generally performed well into the close of FY21 as they caught a number of trends including a diversified long equity positioning across US, Asia and EM, persistent trends across the commodity complex including metals, energy and the agricultural complex and a weakening of the US dollar.

Equity market neutral strategies continued to struggle in H1 FY21, as represented by the HFRI EH: Equity Market Neutral Index that was up 2.38%. There has been persistent underperformance of “growth” versus “value” factor bias that has hampered returns with a brief respite in November. Fundamentally orientated EMN managers have generally navigated the recent environment better than quantitative EMN managers.

Fixed income relative value (FIRV) strategies performed well in H1 FY21, as represented by HFRI Relative Value (Total) Index that advanced by 7.01%. Performance was impressive despite suppressed volatility levels within fixed income markets from significant central bank intervention.

Convertible arbitrage strategies performed very strongly in H1 FY21 as represented by the HFRI RV: Fixed Income Convertible Arbitrage Index that was up 12.8%. Convertible arbitrage managers were beneficiaries of tightening credit spreads, elevated volatility levels and the strongest new issuance calendar for several years. Also, managers participated in buyback and tender offers contributed to a rich opportunity set.

Credit funds were up 9.74% in H1 FY21 as measured by the HFRI: Credit index, posting positive performance in every month as credit markets maintained a consistent recovery from their earlier March pandemic driven drawdown. Over this period, high yield credit spreads narrowed from 6.26% to 3.60% as measured by the Barclays High Yield Index. Within credit, funds focused on distressed credit led the way (HFRI: ED Distressed/Restructuring +14.97%), followed by corporate credit funds (HFRI: RV-FI Corporate Credit +10.18%) and then those focused on asset-backed securities (HFRI: RV-FI ABS +6.37%) which tended to lag on the combination of illiquidity, complexity and levered downgrade and default risk.

Equity long/short (L/S) hedge funds finished the first half of FY21 up 21.52% as measured by the HFRI: Equity L/S (Total) index. Equity L/S hedge funds finished on a particularly high note as November (+8.20%) and December (+5.53%) were the best and third best returning months in over a decade for the index (with April’s +6.97% falling in between). The strong performance followed the earlier pandemic-led March drawdown and was driven in part by the resulting central bank intervention, fiscal stimulus, and introductions of vaccines.

Event driven funds were up 16.53% over the first half of FY21 as measured by the HFRI Event Driven (Total) index. Key sub-strategies such as activism (HFRI ED: Activist index, +25.76%), special situations (HFRI ED: Special Situations index, +19.77%), and merger-arbitrage (HFRI ED: Merger Arbitrage index, +11.85%) posted strong gains. As with other strategies, the strong equity market rally that saw the MSCI World index rise 23.54% buoyed most event driven strategies as investors embraced a future benefitting from fiscal stimulus and the potential for a widespread vaccine to curtail the global pandemic.

Credit Management

US market – Q4 2020

In the US, markets have been “risk-on” across all asset classes since the Pfizer vaccine news on Nov 9. US equities have reached record levels, commodities led by oil and copper have hit recent highs and treasury yields have widened. In credit, high yield spreads tightened over 140 bps over the final two months of the year with yields recently sitting at an all-time low of 4.57%[2]. US high yield returned 5.48%[2] in 2020. Leveraged loans returned 2.78%[3] in 2020, an exceptional recovery from the negative 19.76% YTD[3] returns we saw at the March nadir. The strong rally in November produced a remarkable 2.13%[3] monthly return followed by continued strength in December, which returned 1.30%[3]. There has been a clear rotation into cyclical and COVID-19 -recovery names across equities, high yield and leveraged loans. Discounted, higher beta and higher COVID-19-related loans led the Q4 rally. CCC loans outperformed in November, returning 6.12%[4], while Single-B’s gained +1.86%[4] and BB loans returned +1.63%[4]. In December, similar trends continued as CCC returned +2.39%[4], while Single-B’s gained +1.37%[4] and BB loans returned +1.14%[4]. The US loan market ended the year with 80.97% of the loan index trading above 98c/$ which is similar to pre-COVID-19 levels[4].

Both credit fundamentals and loan market technicals remain strong coming into 2021.The market technical continues to be supported by strong CLO formation, an increasing pace of prepayments, a restrained supply of new issue loans expected over the next several weeks and expectations for continued Fed support and fiscal stimulus from the new administration.

Credit fundamentals have been buoyed by the extremely encouraging vaccine efficacy and expectations for wide availability by summer 2021. There is now clarity on the US elections, Q3 earnings have been in-line and many borrowers have taken advantage of accommodative capital markets to shore up liquidity runway to reach 2022.

2021 US market outlook

Looking towards 2021, improving credit fundamentals and declining default rates as the economy recovers from the pandemic are expected to result in credit spreads tightening further. Loan issuance is also expected to increase from depressed levels in 2020 driven by a significant recovery in M&A and LBO activity. Demand for loans will be driven by strong anticipated recovery in CLO issuance to over $100 billion and by high yield crossover buyers drawn to relatively attractive loan yields and the rate protection afforded by floating rate loans. Continued opportunities in “COVID-19 recovery” sectors are seen as vaccine distribution allows normalization beginning in Q2/Q3. However, understanding which credits will normalize 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.

[2] Credit Suisse High Yield Index
[3] Credit Suisse US Leveraged Loan Index
[4] JP Morgan Leveraged Loan Index

While the improving macro outlook and credit fundamentals entering 2021 is encouraging, various challenges and unknowns could emerge and lead to periods of volatility. Namely progress around stimulus funding to support the consumer and offset the effects of the persistently high unemployment is being monitored. The upcoming threat as infections and deaths rise and stay at home orders increase in Q1 which would curtail Q1 GDP is also acknowledged. Finally, there could be volatility brought on by a “taper tantrum” type correction as the massive stimulus, accommodation and central bank asset purchases begins to reverse as the economy improves.

Investcorp continues to find investment opportunities where higher margin of safety is seen and where the Firm has conviction in the business quality, liquidity and post-pandemic recovery prospects. Investcorp anticipates being able to outperform by focusing on disciplined credit selection and opportunities where steeper rates of post-COVID-19 recovery both across and within industries that offer attractive risk-adjusted spread and catalysts to drive total return are identified.

European market – Q4 2020

Similar to the US, European markets have been significantly “risk-on” following the November vaccine news which has been further intensified by a relative lack of primary issuance across sub-investment grade credit markets. European Leveraged loans returned +3.54% in the quarter ended 31 December 2020, with November seeing a +2.66% monthly return, driven by higher beta CCC-rated assets, most of which are high COVID-19 impacted names, which returned 11.75% in the month. European high yield returned an even stronger +5.36% in the quarter, including +4.08% in the month of November alone, with spread reducing by 123bps in that month. The European high yield market ended the year with average yields at 3.79%, below the 3.95% level seen at the end of January 2020 before the crisis[5].

Looking at European leveraged loans in detail, the market currently has significant technical tailwinds driven by a pronounced structural supply deficit, led by subdued primary issuance and continued new CLO issuance, which has been a market feature since September 2020. Primary loan issuance in the quarter was €8.8 billion while for the 2 months ended November 2020 new CLO issuance was €5.8 billion and loan repayments €3.5 billion.

In addition, recent M&A and IPO activity has led to a pipeline of known repayments from large issuers in the market in early 2021, including Nets (approximately €2.5 billion of issuance) and Paysafe (€1.25 billion).[6]

As a result of these technicals, European leveraged loans, as measured by the Credit Suisse Western European Leveraged Loan Index, posted a +6.42% return in H2 2020 which has resulted in full year 2020 return of 2.38%, an exceptional result in the context of the -14.03% year-to-date return position for the market back in March 2020. As a result, despite the March volatility, European loans have extended their unbroken track record of positive annual returns to 9 years.[7]

[5] Credit Suisse Western European Leveraged Loan Index and Credit Suisse Western European High Yield Index as at 31 December 2020
[6] S&P/LCD News Euro Loans and Technical data 31 December 2020
[7] Credit Suisse Western European Leveraged Loan Index as at 31 December 2020

European market outlook

Looking forward to Q1 2021, underlying European market fundamentals remain potentially problematic. The COVID-19 pandemic has created one of the most significant global recessions in history with the longer term impacts likely to be felt in 2021. Although the roll-out of vaccines is clearly positive news, the second (or third wave) of infections is currently resulting in renewed lockdown measures across Europe and it is unlikely that Europe-wide vaccination programs will be fully effective until the summer of 2021 at the earliest. As such, it is believed that European default rates will remain relatively elevated through 2021 given the long-term impact of the COVID-19 crisis on corporate balance sheets. Furthermore, the over reliance of European markets on Central Bank stimulus is significant medium-term risks as this stimulus is reduced or removed especially given the market was already heavily propelled by ECB stimulus even prior to the COVID-19 crisis. Against this, the Brexit deal has removed one short term potential driver of additional market volatility.

Positively, a pick-up in new loan issuance in Q1 2021 is expected, given recent and expected M&A activity and near-term maturities on some issuers in the market. However, it is expected that this will be largely absorbed by the significant repayments anticipated in H1 2021 (as mentioned above) and continued CLO issuance. As a result, continued pressure on new issue margins is expected to be seen t, as is usual with the European market, there will be a floor driven by the CLO market especially given the current need to optimize CLO equity returns.

Given the above dynamics, Investcorp continues to conservatively position the European portfolios alongside, where sensible, taking advantage of short-term trading opportunities provided by the positive vaccine news. On the positive side, Investcorp expects that as new primary transactions pick up in Q1 2021 we will be provided with opportunities to rotate portfolios to increase yields.

Summary

The unprecedented global market conditions experienced during 2020 have demonstrated the resilience of the large cap leveraged loan market, whilst highlighting the need for disciplined and active portfolio management. Default rates, although elevated, have to date been largely confined to those sectors most exposed to COVID-19 and potential economic impact cushioned by the various forms of state intervention.

The US and European markets are both experiencing technical features associated with the current supply/demand imbalance. In both markets it is expected to gradually unwind during Q1 2021 as M&A activity increases and investors assume a more risk-on approach.

There will likely be greater volatility across the asset class than typically experienced as markets remain skittish with regard to COVID-19 news. This may well create opportunities to rebalance portfolios and for active managers to capture added value.

DISCUSSION OF RESULTS

Profit for the Period

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

Despite the continued impact of the COVID-19 pandemic on the macro-economic and fiscal environment, profit for the period of $64 million was 33% higher than profit for the period of $48 million for the prior fiscal year ('H1 FY20'). Investcorp's H1 FY21 results were driven by a solid performance across all business lines and revenues sources resulting in an annualized return on equity ('ROE') of 15% and fully diluted earnings per share ('EPS') of $0.88 per ordinary share.

Income ($ millions)	H1 FY21	H1 FY20	% Change H/(L)
Fee income	172	172	0%
Asset-based income	45	14	>100%
Gross operating income	**217**	**186**	**17%**
Provisions for impairment	0	(2)	(95%)
Interest expense	(15)	(16)	(6%)
Operating expenses	(132)	(116)	14%
Profit before tax	**70**	**52**	**35%**
Income tax expense	(6)	(4)	50%
Profit for the period	**64**	**48**	**33%**
Basic earnings per ordinary share ($)	0.92	0.67	37%
Fully diluted earnings per ordinary share ($)	0.88	0.65	35%

Operating performance in terms of fee income remained stable at $172 million. Asset-based income increased to $45 million from $14 million in H1 FY20.

Interest expense for H1 FY21 was $15 million, similar to $16 million in H1 FY20. Operating expenses increased to $132 million (H1 FY20: $116 million), in line with the increase in gross operating income.

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)	H1 FY21	H1 FY20	% Change H/(L)
PE fees	43	41	5%
CM fees	29	28	4%
RE fees	13	11	18%
Other management fees	16	7	>100%
AUM Fees	**101**	**87**	**16%**
Activity fees	59	82	(28%)
Performance fees	12	3	>100%
Deal fees	**71**	**85**	**(16%)**
Fee income	**172**	**172**	**0%**

Total fee income in H1 FY21 remained stable at $172 million, however the quality of the earnings improved with a greater proportion of earnings attributable to recurring AUM fees. The proportion of AUM fees to total fee income increased from 51% in H1 FY20 to 59% in H1 FY21.

AUM fees were $101 million in H1 FY21, 16% higher than H1 FY20. The increase reflects a higher level of client assets under management driven by an increase in AUM across all asset classes and increase in other management fees, primarily driven by higher performance fees from ARI AUM and increased management fees from strategic capital AUM.

Deal fees decreased in H1 FY21 to $71 million (H1 FY20: $85 million), driven by lower activity fees. The decrease reflects the initially low but progressively accelerating rebound in activity from the COVID-19 impacted levels seen earlier in the year. Although total activity levels and related fees were lower for H1 FY21 compared to the same period a year ago, the pace of activity had recovered by the end of the period.

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 income increased to $45 million in H1 FY21 from $14 million in H1 FY20 primarily driven by a significant increase in PE, CM and ARI returns reflecting a good recovery across all asset classes.

Asset-based income ($ millions)	H1 FY21	H1 FY20	% Change H/(L)
Private equity investment	16	(14)	>100%
Credit management investment	16	7	>100%
Absolute return investments	3	1	>100%
Real estate investment	9	15	(40%)
Strategic investments	2	1	100%
Treasury and other asset-based income	(1)	4	>(100%)
Gross asset-based income	**45**	**14**	**>100%**

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

PE asset-based income KPIs ($ millions)	H1 FY21	H1 FY20	% Change H/(L)
Asset-based income	16	(14)	>100%
Average co-investments	314	448	(30%)
Absolute yield	5.1%	(3.1%)	8.2%

CM asset-based income KPIs ($ millions)	H1 FY21	H1 FY20	% Change H/(L)
Asset-based income	16	7	>100%
Average co-investments	344	330	4%
Absolute yield	4.7%	2.1%	2.5%

ARI asset-based income KPIs ($ millions)	H1 FY21	H1 FY20	% Change H/(L)
Asset-based income	3	1	>100%
Average co-investments	74	100	(26%)
Absolute yield	4.1%	1.0%	3.1%

RE asset-based income KPIs ($ millions)	H1 FY21	H1 FY20	% Change H/(L)
Asset-based income	9	15	(40%)
Average co-investments	217	381	(43%)
Absolute yield	4.1%	3.9%	0.2%

Returns across all asset classes have increased. The partial re-opening of economies during the COVID-19 pandemic and the recovery in asset values, driven by improved operating results of underlying companies as well as buoyant financial markets, resulted in a positive asset base income of $45 million for H1 FY21, up 221% compared to $14 million in H1 FY20. The increase in asset-based income was broad-based and supported by a strong rebound from the unrealized losses recorded in FY20 for both the PE and CM portfolios.

RE returns continue to be resilient in the face of the COVID-19 crisis with slightly improved yields but an overall lower income as a result of a lower average co-investment balance.

Interest Expense

Total interest expense, including commitment fees on undrawn revolving credit facilities, decreased by 6% to $15 million in H1 FY21 from $16 million in H1 FY20. The decrease was primarily due to a lower level of average interest-bearing liabilities during the current period as compared to the same period in the prior year.

Interest expense ($ millions)	H1 FY21	H1 FY20	Change H/(L)
Total interest expense	**15**	**16**	**(1)**
Average short-term interest-bearing liabilities	555	660	(105)
Average medium- and long-term interest-bearing liabilities	530	675	(145)
Average interest-bearing liabilities	**1,085**	**1,335**	**(250)**
Interest expense on funded liabilities[a]	12	14	(2)
Average cost of funding on funded liabilities	**2.2%**	**2.0%**	**0.2%**

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

Operating Expenses

In line with the increase in gross revenues, operating expenses also increased by 14% to $132 million (H1 FY20: $116 million) driven by an increase in staff compensation, which includes fixed and variable components, to $90 million (H1 FY20: $64 million). Other expenses, comprising professional fees, travel and business development, administration and infrastructure costs and non-compensation personnel costs such as training and recruitment decreased by 23% to $34 million as compared to $44 million for the same period last year, primarily due to a reduction in travel and other discretionary expenses given the current environment. The overall increase in gross operating income, as well as a reduction in non-staff related expenses, contributed to a decrease in the cost-to-income ratio from 69% in H1 FY20 to 65% in H1 FY21.

Operating expenses ($ millions)	H1 FY21	H1 FY20	Change H/(L)
Staff compensation	90	64	26
Other personnel costs and charges	8	8	-
Other operating expenses	34	44	(10)
Total operating expenses	**132**	**116**	**16**
Full time employees ('FTE') at end of period	427	447	(20)
Staff compensation per FTE ('000)	211	143	47%
Other operating expenses per FTE ('000)	80	98	(19%)
Total staff compensation / total operating expenses	68%	55%	13%
Cost-to-income[a]	65%	69%	(4%)

(a) Operating expenses / Net revenue. Net revenue 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	Dec-20	Jun-20
Total assets	$2.4 billion	$2.1 billion
Leverage[(a)]	1.1x	1.2x
Net leverage ratio[(b)]	0.7x	0.6x
Shareholders' equity	$1.0 billion	$0.9 billion
Co-investments[(c)] / long-term capital[(d)]	0.6x	0.6x
Residual maturity – medium- and long-term facilities	67 months	72 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

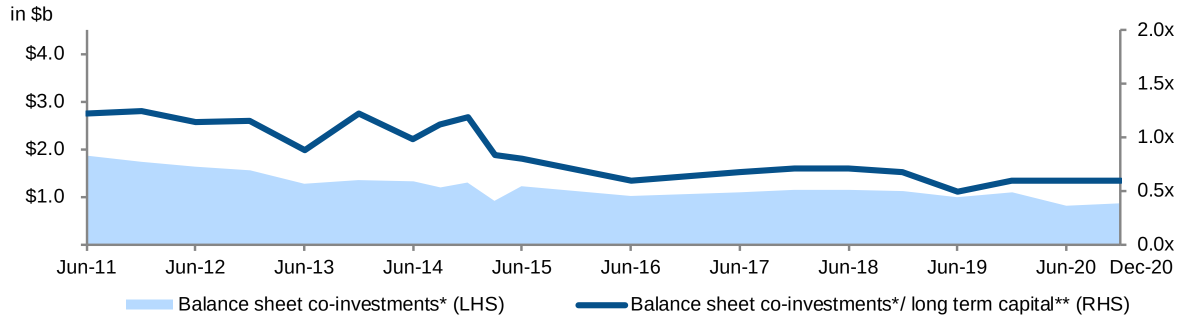
(d) JPY37 billion debt maturing in FY30, €36 million secured financings maturing in FY31, €37 million debt maturing in FY32, $50m debt maturing in FY33, deferred fees and total equity

Assets

Assets ($ millions)	Dec-20	Jun-20	Change H/(L)
Cash and other liquid assets	250	309	(59)
Underwriting & warehousing	340	192	148
PE, RE, ARI, CM and SC co-investments	875	810	65
Strategic investments and intangible assets	196	189	7
Other (working capital and fixed assets)	788	623	165
Total assets	**2,449**	**2,123**	**326**

At December 31, 2020, total assets were $2.4 billion, 15% higher than at June 30, 2020, primarily due to higher PE and RE underwriting and co-investment exposures, and an increase in other working capital. This was partially offset by a decrease in liquid assets. The increase in working capital and underwriting is a temporary increase in line with higher fee generating activities and is expected to revert to lower levels in the near term. The level of co-investments increased by 8% to $875 million from $810 million as of June 30, 2020 primarily as a result of new investments in private equity and real estate, and the impact from fair value changes and FX movements.

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)

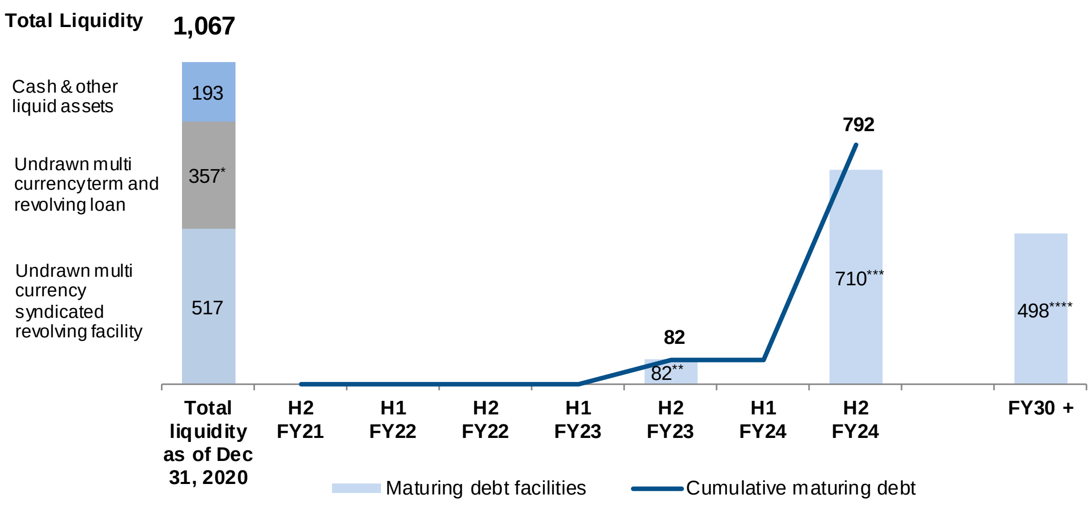
** Long term capital consists of JPY37 billion debt maturing in FY30, €36 million secured financings maturing in FY31, €37 million debt maturing in FY32, $50m debt maturing in FY33, deferred fees and total equity

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 December 31, 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, balance sheet cash and other liquid assets was $1.1 billion at the end of H1 FY21 and covers all outstanding debt maturing over the next four years.

Liquidity cover ($ millions)



* $357 million balance available from multi-currency term and revolving loan on a call basis, as at December 31, 2020

** Syndicated revolving facilities

*** Syndicated revolving facilities - includes €76 million ($93 million as at December 31, 2020 exchange rates)

**** JPY 37 billion ($359 million as at December 31, 2020 exchange rates) debt maturing in FY30, €36 million ($44 million as at December 31, 2020 exchange rates) debt maturing in FY31, €37 million ($45 million as at December 31, 2020 exchange rates) debt maturing in FY32 & $50 million maturing in FY33

Liabilities

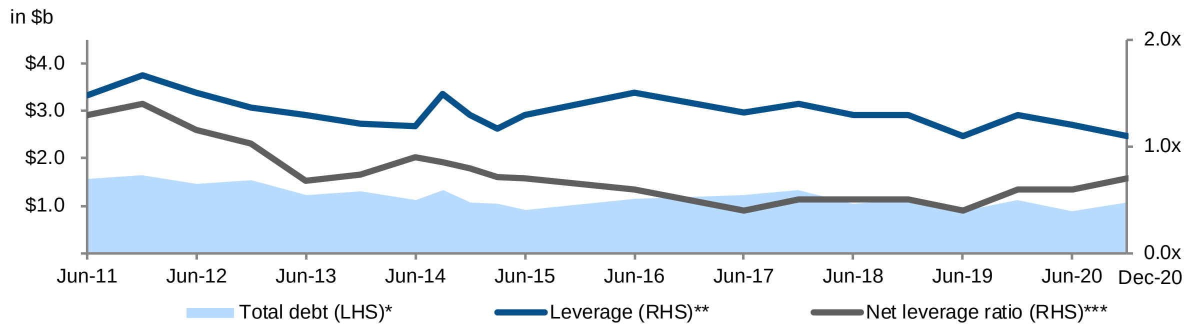
Total liabilities increased by $235 million to $1,490 million at December 31, 2020.

Liabilities ($ millions)	Dec-20	Jun-20	Change H/(L)
Short-term financing	274	261	13
Medium and long-term debt	806	611	195
Total debt	**1,080**	**872**	**208**
Lease liability	106	109	(3)
Deferred fees	56	62	(6)
Other liabilities[(a)]	248	212	36
Total liabilities	**1,490**	**1,255**	**235**

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

The increase of $235 million in liabilities was driven by an increase in short and medium-term debt due to the drawdown of revolvers. Post December 31, 2020 Investcorp announced the partial extension of the $350 million Revolving Credit Facility to March 2025.

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

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." [1]

In January 2021, Moody's affirmed Investcorp's credit ratings at Ba2, and 'Negative' outlook. "The rating reflects the company's solid market position in the Gulf Cooperation Council (GCC) region as a leading alternative investment provider, its global franchise, historically healthy operating margins, and good asset retention. Furthermore, Investcorp's level of assets under management and liquidity are expected to remain resilient, and the company has a significant amount of loss-absorbing equity capital notwithstanding the meaningful reduction in FY20."

"The rating also reflects Investcorp's high leverage, and the impact of the economic downturn prompted by the coronavirus on its financial performance which informs the negative outlook. This impact has already been seen through declines in the level of deal fees and fair value of the company's significant co-investment portfolio which has negatively impacted earnings and leverage metrics." [2]

Agency	Rating grade	Comment
Fitch Ratings	BB / Stable outlook	Rating and outlook confirmed in November 2020
Moody's Investor Service	Ba2 / Negative outlook	Rating and outlook confirmed in January 2021

Equity

Equity ($ millions)	Dec-20	Jun-20	Change H/(L)
Ordinary shareholders' equity	838	727	111
Preference share capital	123	123	-
Proposed appropriations	-	22	(22)
Other reserves	(4)	(5)	1
Non-controlling interests	2	1	1
Net book equity	**959**	**868**	**91**

Net equity at December 31, 2020 was $1.0 billion. The 10% increase from June 30, 2020 is primarily due to the profit for the period and issuance of shares to employees, which was partially offset by dividend distributions. Post December 31, 2020 Investcorp announced the issuance of $252.2 million of Series E Preference Shares.

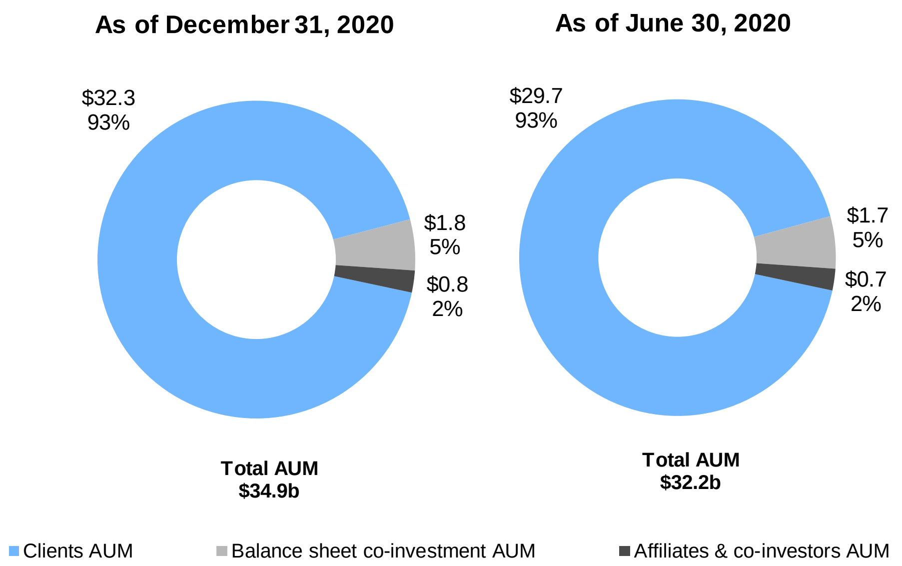
[1] Fitch Ratings – Investcorp rating action commentary; November 12, 2020
[2] Moody's Investor Service – Investcorp credit opinion; January 12, 2021

ASSETS UNDER MANAGEMENT

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

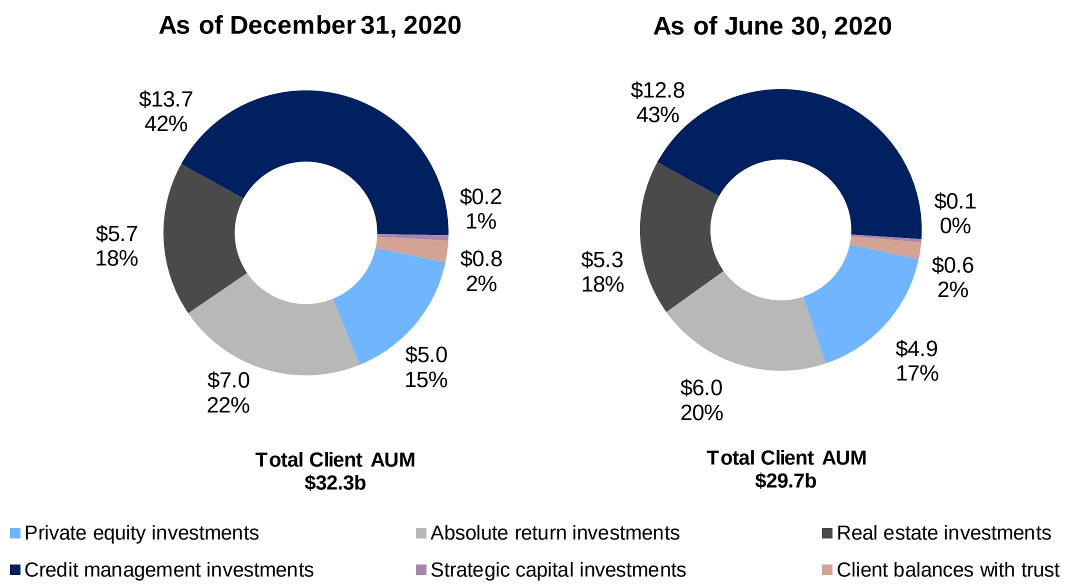
Please refer to the table in Note 2 of the Consolidated Financial Statements of Investcorp Holdings B.S.C., which summarizes total assets under management in each of the reporting segments.

Total assets under management ($ billions)



Total AUM increased to $34.9 billion at December 31, 2020 from $32.2 billion at June 30, 2020. The $2.7 billion increase in AUM is largely driven by the organic growth of AUM across all asset classes.

Total client assets under management ($ billions)



Total client AUM increased by 9% to $32.3 billion at December 31, 2020 from $29.7 billion at June 30, 2020.

[1] Includes $4.3 billion (June 30, 2020: $3.7 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 the joint venture 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 was transferred to the Investcorp-Tages joint venture

[2] Real estate investments AUM is stated at gross asset value. Also, includes $0.4 billion (June 30, 2020: Nil) of assets under management relating to a property management business

[3] Includes Group's commitment of $4 million (June 30, 2020: $4 million) to a private equity deal and $15 million (June 30, 2020: $15 million) to a real estate fund

The most dominant asset class in client AUM continues to be credit management with 42% of the total AUM. The increase in total client AUM in H1 FY21 is largely attributable to the 16% increase in absolute return investments client AUM from $6.0 billion to $7.0 billion. This increase is a result of strong fundraising for Nut Tree Capital Management, HC Tech and the Tages Eckhardt Systematic Short-Term UCITS Fund. Credit management client AUM increased by 7% from $12.8 billion to $13.7 billion largely due to the issuance/pricing of one new CLO. Real estate client AUM also increased by 7% from $5.3 billion to $5.7 billion largely due to the acquisition and placement of two new portfolios. Private equity client AUM increased by 2% from $4.9 billion to $5.0 billion primarily due to fundraising for two new private equity offerings, one in China and one in India. Strategic capital client AUM increased to $0.2 billion largely due to new fundraising for the Investcorp Strategic Capital Partners Master Fund, L.P.

Private equity investments ($ millions)	**Dec-20**	**Jun-20**	**% Change B/(W)**
Client AUM			
Closed-end funds	2,554	2,659	(4%)
Deal-by-deal investments	2,465	2,251	10%
Total client AUM – at period end	**5,019**	**4,909**	**2%**
Average client AUM	4,964	4,925	1%

Real estate investments ($ millions)	**Dec-20**	**Jun-20**	**% Change B/(W)**
Client AUM			
Closed-end funds (Mezzanine/debt)	184	184	-
Deal-by-deal investments	5,488	5,134	7%
Total client AUM – at period end	**5,672**	**5,318**	7%
Average client AUM	5,495	5,136	7%

Credit management investments ($ millions)	**Dec-20**	**Jun-20**	**% Change B/(W)**
Client AUM			
Closed-end funds	13,289	12,492	6%
Open-end funds	366	314	17%
Total client AUM – at period end	**13,655**	**12,806**	7%
Average total client AUM	13,231	12,020	10%

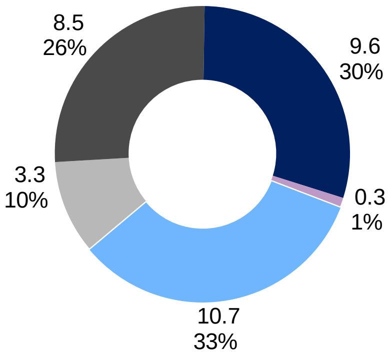
Absolute return investments ($ millions) [4]	**Dec-20**	**Jun-20**	**% Change B/(W)**
Client AUM			
Multi-manager solutions	3,199	2,939	9%
Hedge funds partnerships	3,121	2,479	26%
Special opportunities portfolios	619	564	10%
Alternative risk premia	47	40	19%
Total client AUM – at period end	**6,986**	**6,022**	16%
Average total client AUM	6,504	4,855	34%

[4] Includes $4.3 billion (June 30, 2020: $3.7 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 the joint venture 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 was transferred to the Investcorp-Tages joint venture

Strategic capital investments ($ millions)	Dec-20	Jun-20	% Change B/(W)
Client AUM			
Closed-end funds	170	87	95%
Deal-by-deal investments	30	28	7%
Total client AUM – at period end	**200**	**115**	74%
Average total client AUM	157	57	>100%

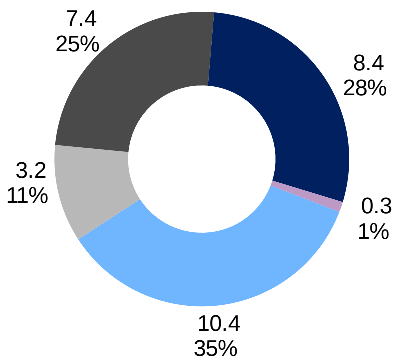
Regional split of clients' assets under management ($ billions)

As of December 31, 2020



Total Client AUM
$32.3b

As of June 30, 2020



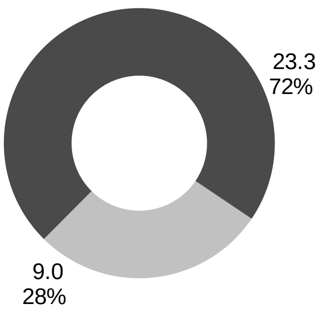
Total Client AUM
$29.7b

■ Gulf ■ Asia ■ Europe ■ North America ■ Others

During H1 FY21, client AUM has grown consistently across the various regions. As at December 31, 2020, 67% of the Firm's client assets under management are from outside the Gulf region.

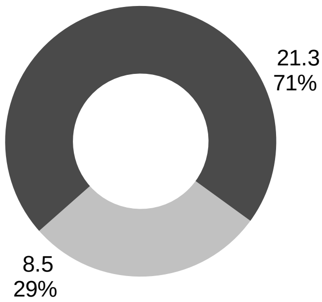
Composition of clients' assets under management by client type

As of December 31, 2020



Total Client AUM
$32.3b

As of June 30, 2020



Total Client AUM
$29.7b

■ Private Wealth ■ Institution

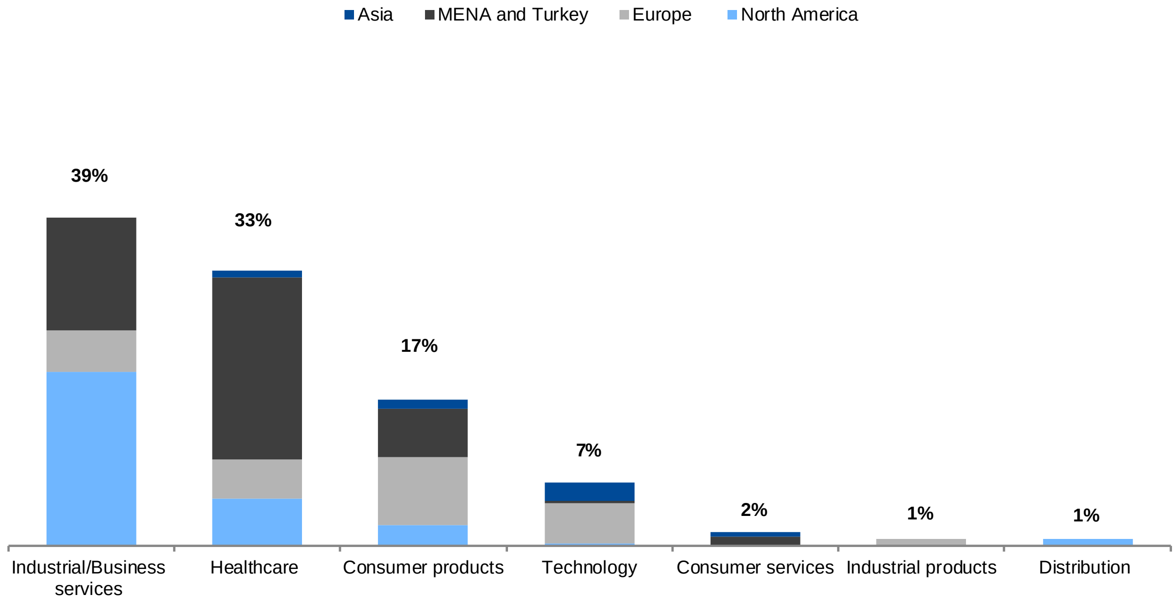
The composition of client AUM across institutional and private wealth clients have remained relatively stable.

PORTFOLIO REVIEW

Private Equity

At December 31, 2020, the carrying value of Investcorp's balance sheet co-investment in PE, excluding strategic investments and underwriting, was $367 million (invested in 55 companies and one special opportunity investments) compared with $339 million at June 30, 2020 (invested in 45 companies and two special opportunity investments). This represents 42% of total balance sheet co-investments at December 31, 2020 (FY20: 42%). PE underwriting at December 31, 2020 was $207 million (FY20: $59 million).

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 7 of the Consolidated Financial Statements of Investcorp Holdings B.S.C., which summarizes the December 31, 2020 and June 30, 2020 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 December 31, 2020, Investcorp's aggregate balance sheet co-investment amount in private equity investments in North America was $110 million invested across nine 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 Midwestern 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 leading managed services provider to musculoskeletal practices in the Northeastern US *www.healthplusmgmt.com*	Business services - Healthcare	New York, US
August 2018	**United Talent Agency** A leading global talent and entertainment company *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	**K.S.I. Trading Corp.** 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	California, US

PE Europe

As of December 31, 2020, Investcorp's aggregate balance sheet co-investment amount in private equity investments in Europe was $64 million invested across twelve companies.

Acquired	Portfolio Company Name	Industry Sector	Headquarters
December 2020	**Sanos** A leading Contract Research Organization (CRO) specialized in Osteoarthritis *www.sanosclinic.com*	Business services – Healthcare	Copenhagen, Denmark
October 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 Nordic 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
June 2017	**ABAX** Leading provider of telematics and internet of things solutions to small and medium sized businesses in Europe *www.abax.co.uk*	Business services – Technology enabled services	Larvik, Norway

Acquired	Portfolio Company Name	Industry Sector	Headquarters
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 December 31, 2020, Investcorp's aggregate balance sheet co-investment amount in technology investments was $15 million invested across seven 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
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

Acquired		Portfolio Company Name	Industry Sector	Headquarters
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
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 December 31, 2020, Investcorp's aggregate balance sheet co-investment amount in private equity investments in the MENA region was $161 million invested across twelve 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 Arabia
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
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

Acquired	Portfolio Company Name	Industry Sector	Headquarters
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.orkaholding.com.tr*	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

PE Asia

As of December 31, 2020, Investcorp's aggregate balance sheet co-investment amount in private equity investments in the Asia region was $17 million across fifteen companies and one special opportunity investment.

Acquired / Invested	Portfolio Company Name	Industry Sector	Headquarters
December 2020	**Viz Branz** A leading producer and distributor of branded instant cereal and coffee products in China and Southeast Asia *www.vizbranz.com/*	Consumer	Singapore
December 2020	**City Super Group** A leading premium grocery and lifestyle retailer in Hong Kong and China *https://www.citysuper.com.hk/*	Consumer	Hong Kong, China
December 2020	**Unilog** A leading Software as a Service (SaaS) based e-commerce solutions provider to small and medium businesses based in the United States. *https://www.unilogcorp.com*	Technology – E-commerce	Bengaluru, India
November 2020	**XpressBees** One of the leading technology-led express logistics service provider in India *https://www.xpressbees.com/*	Technology – E-commerce	Pune, India
November 2020	**Kindstar Global** A leading independent medical testing provider in China *http://en.kindstarglobal.com/*	Healthcare	Wuhan, China
October 2020	**WeDoctor** A leading online healthcare services company in China *https://www.guahao.com/*	Healthcare	Hangzhou, China
September 2020	**FreshToHome** One of the leading direct-to-consumer online meat brands in India *https://www.freshtohome.com/*	Technology – E-commerce	Bengaluru, India

Acquired / Invested	Portfolio Company Name	Industry Sector	Headquarters
July 2020	**Lu Daopei Medical** A leading private specialist medical group in the field of hematology in China *http://www.daopei.net/*	Healthcare	Beijing, China
November 2019	**NephroPlus** The leading dialysis care chain in India *www.nephroplus.com*	Healthcare	Hyderabad, India
October 2019 / October 2020	**Intergrow** A leading packaged food ingredients company in Kerala *http://www.intergrowbrands.com*	Consumer food & agriculture	Kerala, India
October 2019	**Bewakoof** One of the leading direct-to-consumer online apparel companies in India *http://www.bewakoof.com*	Technology - E-commerce	Mumbai, India
February 2019 / March 2020	**CityKart** A fashion and apparel value retail chain *http://citykartstores.com*	Consumer & retail	Gurgaon, India
January 2019 / July 2020	**ZoloStays** India's leading technology enabled managed living services provider *www.zolostays.com*	Consumer services – Technology enabled services	Bengaluru, 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
October 2017	**ASG Eye Hospital Limited** A leading full-service specialty eye care hospital chain *http://www.asgeyehospital.com*	Healthcare	Jodhpur, India

Acquired / Invested	Portfolio Company Name	Industry Sector	Headquarters
November 2016 / March 2017	**InCred Finance** A technology enabled retail financing company *http://www.incred.com*	Financial services	Mumbai, India

Other private equity activity

November 2020: PE North America portfolio company, **Fortune International,** acquired Neesvigs, a Windsor, Wisconsin-based seafood, meat processor and distributor. Neesvig's also operates Empire Fish, a Wauwatosa, Wisconsin-based retail store and a state-of-the-art fulfillment operation in DeForest, Wisconsin.

November 2020: PE Europe portfolio company, **ABAX,** the leading telematics solutions provider in the Nordics and one of the largest in Europe, acquired Automile, a Nordic based provider of telematics and internet of things (IoT) services. The transaction has closed and positions the combined group as a global telematics leader with more than 360,000 subscriptions.

October 2020: Investcorp announced the successful listing of its portfolio company **BinDawood Holding** on the Saudi Stock Exchange ("Tadawul"). This marks the third 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.

Absolute Return Investments ('ARI')[1]

At December 31, 2020, the balance sheet carrying value of Investcorp's co-investment in ARI which is managed by the Investcorp-Tages joint venture was $69 million compared with $81 million at June 30, 2020. The amount represents 8% of total balance sheet co-investments at December 31, 2020. Please refer to the table in Note 9 of the Consolidated Financial Statements of Investcorp Holdings B.S.C., which summarizes the December 31, 2020 and June 30, 2020 carrying values.

Exposure Profile

The balance sheet co-investments in ARI consist of investments in managers who are on Investcorp-Tages joint venture's hedge fund partnerships platform, multi-manager solutions platform and co-investments in Special Opportunity Portfolios. As of Dec 31, 2020, Investcorp's balance sheet co-investment amount in hedge fund partnerships was $8 million, its investment amount in multi-manager solutions was $41 million, and its investment amount in Special Opportunities Portfolios was $20 million.

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 Dec 31, 2020, approximately 28% of Investcorp's ARI co-investment

[1] 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

was contractually available for monetization within a three-month window and 92% was available within a twelve-month window.

Strategy Outlook

Below is Investcorp's outlook on hedge fund strategies as of January 2021:

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				■

Real Estate Investment

At December 31, 2020, Investcorp's RE balance sheet co-investments excluding underwriting totaled $74 million compared with $71 million at June 30, 2020. The amount represents 8% of total balance sheet co-investments at December 31, 2020.

Please refer to the table in Note 10 of the Consolidated Financial Statements of Investcorp Holdings B.S.C., which summarizes the December 31, 2020 and June 30, 2020 carrying values by portfolio type. For details on RE underwriting, please refer to the table in Note 6 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 23 active real estate investment portfolios and three additional investments (four properties) are currently warehoused on the Investcorp balance sheet. At December 31, 2020, 21 of these portfolios were on or ahead of plan and only two portfolios were behind plan. The first portfolio that is behind plan is a suburban office complex in Northern Virginia which has been impacted by COVID-19. The second portfolio that is behind plan is an office building located in downtown Washington, D.C. that has suffered due to the impacts of COVID-19 and the current weak office market in the city.

Real Estate Portfolio Listing

Investcorp co-investment by year ($m)	Properties # vs. current *	Sector	Geographic location**	Carrying value end of Dec-20	Carrying value end of Jun-20
Canal Center	4 / 3	Office	VA		
Vintage FY15				**1**	**1**
Boca Raton & Minneapolis Residential	5 / 0	-	-		
733 Tenth Street	1 / 1	Office	DC		
Vintage FY16				**2**	**2**
2016 Residential	10 / 0	-	-		
New York & California Multifamily	2 / 0	-	-		
Chicago & Boston Industrial	6 / 0	-	-		
Vintage FY17				**0**	**3**
Florida & Arizona Multifamily	6 / 0	-	-		
UK Industrial Logistics	9 / 2	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	42 / 40	Industrial	AZ / MN / IL / TX		
Vintage FY18				**11**	**19**
German Office 2018	2 / 2	Office	GER		
US Industrial & Logistics	56 / 52	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				**14**	**13**
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		
European Office Portfolio	3 / 3	Office	GER / BEL / NDL		
2020 Southeast Industrial & Logistics	50 / 50	Industrial	GA / TN		
Atlantic Point***	2 / 2	Residential	NY		
Vintage FY20				**30**	**32**
2020 Warehouse and Logistics Portfolio	30 / 30	Industrial	OH / IL		
2021 Multifamily Portfolio	5 / 5	Residential	GA / MD / FL		
Vintage FY21				**8**	**0**
Others				**0**	**1**
Sub-total	**376 / 332**			**65**	**70**
New portfolios under construction	4 / 4			**9**	**1**
Total including new portfolios under construction	380 / 336			**74**	**71**

* 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.

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

*** Assets were recapitalized by Investcorp. Investcorp and its subsidiaries continue to have a management role in all four of the properties. Investcorp maintains a direct equity investment in Atlantic Point and is considered a current portfolio.

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 H1 FY21, Investcorp completed a strategic minority investment in Centre Lane, a private equity and private credit investment firm focused on the US lower middle market with approximately $2 billion in assets under management. This is the second investment in the Investcorp Strategic Capital Partners Master Fund, L.P.

The below table lists the investments in the Investcorp Capital Partners Master Fund, L.P.

Acquired		Portfolio Company Name	Industry Sector	Headquarters
July 2019		**Project Aspen** A leading diversified private capital manager focused on the lower middle market running private equity and private credit strategies	Diversified Private Capital	Boston, US
December 2020	CENTRE LANE PARTNERS	**Centre Lane Partners** Buyout and private credit investment firm focused on the lower middle market with a deep value orientation and focus on complex situations *www.centrelanepartners.com*	Private Equity and Private Credit	New York, US

Credit Management

At December 31, 2020, Investcorp's CM balance sheet co-investments totaled $354 million compared with $317 million at June 30, 2020. The amount represents 40% of total balance sheet co-investments at December 31, 2020.

Please refer to the table in Note 8 of the Consolidated Financial Statements of Investcorp Holdings B.S.C., which summarizes the December 31, 2020 and June 30, 2020 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 Dec-20	Investcorp AUM Dec-20
FY 2014	100.59%	818	24
FY 2015	92.87%	1,354	44
FY 2016	72.86%	1,429	56
FY 2017	45.66%	1,052	37
FY 2018	40.65%	966	48
FY 2019	18.41%	967	48
FY 2020	7.80%	1,395	0
FY 2021[3]	N/A	480	0
European CLO Funds		**8,461**	**258**
FY 2013	106.11%	325	0
FY 2014	72.46%	199	0
FY 2015	35.62%	733	0
FY 2016	61.48%	329	0
FY 2017	50.89%	555	12
FY 2018	36.89%	979	11
FY 2019	18.41%	438	12
FY 2020	11.35%	777	43
US CLO Funds		**4,334**	**78**
Other Funds[4]		1,249	53
Other		**1,249**	**53**
Total		**14,044**	**389**

[1] Fiscal year groupings are based on the closing date of a CLO
[2] % of equity cash distributions over par value of equity launch
[3] The first payment is not due as of December 31, 2020
[4] Other funds include Global Income Fund, European Middle Market Fund, Mount Row Levered Fund, Investcorp Credit Opportuntiy Portfolios and Risk Retention Fund

Collateralized Loan Obligations ('CLOs')

CLO equity continues to provide investors with attractive current income cash distributions. In both Europe and the US, the average annualized cash distribution on Investcorp's ongoing 2.0 CLOs as at December 31, 2020 were 13%.

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

The GIF[2] produced a net return of 6.46% for H1 FY 2021, and 2.78% for the calendar year of 2020. Since inception in August 2015, the Fund's annualized net return is 3.91%.

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 +3.66%, outperforming the benchmark index gross return of +3.02% by 64 basis points (with net fund returns 24 basis points below the benchmark index gross return) (Chart 1). The Fund benefited from a relative overallocation

[2] USD Share Class

to the European loan market assets, with the Fund's currency exposure being 72% USD, 24% EUR, and 4% GBP at the end of December 2020 (see Chart 2).

Chart 1: Global Income Fund performance vs the benchmark

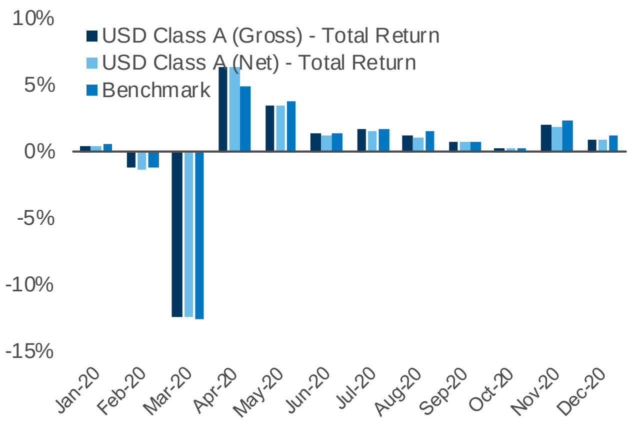
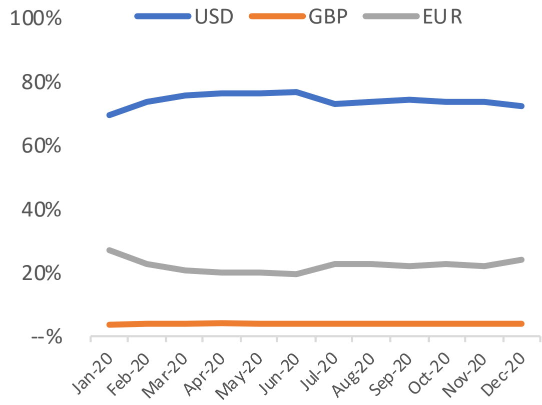


Chart 2: Currency Exposure



Mount Row (Levered) Credit Fund

Mount Row (Levered) Credit Fund I closed at €318 million in May 2020 and was fully invested in August 2020. The portfolio is highly defensive, covering 87 issuers with an average EBITDA of over €500 million, and has performed well through 2020. The Fund generated a net return of c. 9.0% in the 11 months since inception in January 2020.

Mount Row (Levered) Credit Fund II, a €300 million target Fund, held its first close in January 2021 with levered AUM of approximately €75 million.

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".