INVESTCORP

BUSINESS REVIEW

Fiscal Year 2021

For the period July 1, 2020 to June 30, 2021

Message from the Executive Chairman

"We are delighted to report strong financial and operational performance in what has been an incredibly challenging period for businesses globally. Whilst the coronavirus pandemic continues to present significant headwinds for many, we are making good progress on our growth journey and diversifying our investor, product and geographic base, which has not only helped us weather the pandemic but emerge from it in a robust position, well placed for our future long-term plan.

"The business delivered 17% growth in AUM to a record high of US$ 37.6 billion and strong performance across all business lines. This is a testament to the resilience of Investcorp's business model and heightened demand for sophisticated and tailored solutions that meet the needs of our growing and global client base.

"I am particularly pleased with the external recognition we gained for our Diversity, Equity and Inclusion efforts and for the strengthened adherence we have made to our ESG policies.

"We look to this next chapter at Investcorp with confidence and excitement. Whilst challenges remain, we are committed to our long-term strategy of driving sustainable growth and value enhancement for our clients and shareholders."

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 Initiatives

Delisted the Firm's ordinary shares from the Bahrain Bourse. The delisting represents an important step in the Firm's evolution with the senior leadership team now more able to focus on investing for the long-term strategy and driving growth of the Firm going forward

Completed the issuance of $252 million of Series E Preference Shares

Fundraising Platform

Secured first anchor investor in Aberdeen Standard Investcorp Infrastructure Partners (ASIIP) from the Public Investment Fund (PIF) for up to 20% of the total size of the fund

Launched and held the first close of Investcorp Technology Partners Fund V, established to invest principally in European lower middle-market technology-enabled companies. The fund builds on the successes of the first four technology funds that have seen Investcorp develop a strong reputation as a major technology investor

Launched and held the first close of Investcorp North America Private Equity Fund, established to invest in U.S. middle-market companies

Launched Investcorp iPartners, a new Fintech investment platform that enables investors to browse, assess and invest in Investcorp's private equity, real estate and other alternative investment offerings online

Investment Platform

Launched the first China Healthcare Investment platform, a diversified portfolio of leading high-growth pre-IPO healthcare technology and services companies in China

Investcorp's Strategic Capital Group 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

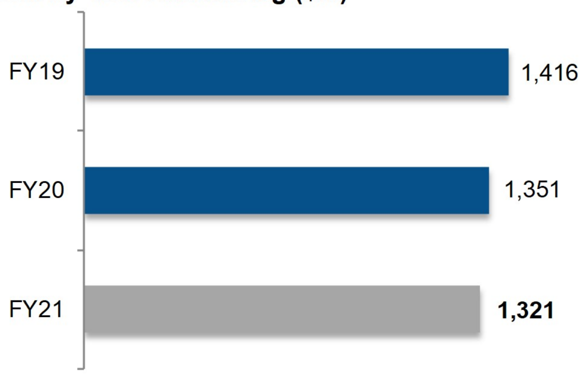
Continued active growth of the Firm's presence in Asia with 11 new private equity investments made during the fiscal year across India, China and Southeast Asia

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)

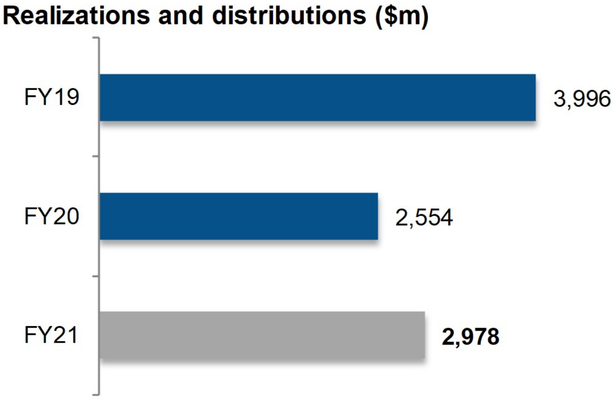
Solid levels of activity achieved with $3.3 billion of aggregate investment across Investcorp's businesses, a 6 % year-on-year increase

Deal-by-deal fundraising ($m)



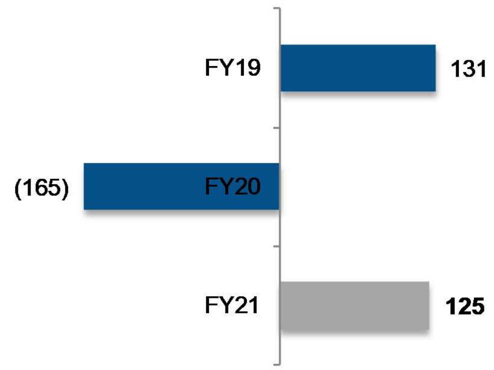
Deal-by-deal fundraising of $1.3 billion was achieved, reflecting continued strong client demand in both private equity and real estate

Realizations and distributions ($m)



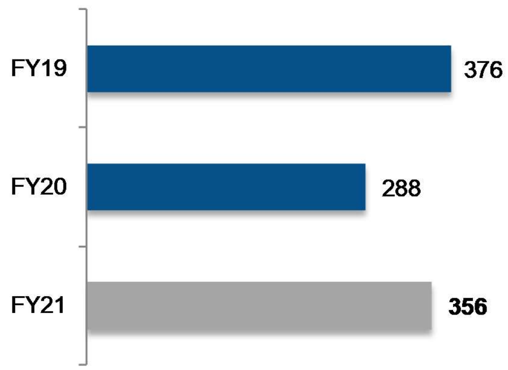
Distributions to Investcorp and its clients from investment realizations and other distributions increased to $3.0 billion

Results for the year ($m)



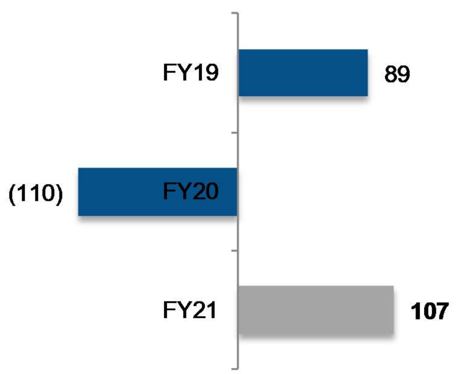
Profit for the period of $125 million reflects a strong turnaround following the loss of $165 million in FY20. This was driven by good levels of activity across the core businesses of private equity, real estate, credit management and absolute return investments

Fee income ($m)



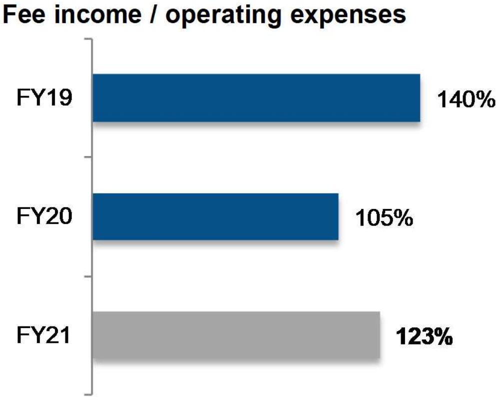
Fee income increased by 24% to $356 million, showing an improved profile of earnings with a greater proportion of earnings attributable to recurring AUM fees

Asset-based income ($m)



The continued recovery of asset values, driven by improved operating results of underlying portfolio companies as well as healthy financial markets, resulted in asset-based income of $107 million, compared to a loss of $110 million in FY20

Fee income / operating expenses



Fee income continues to cover operating expenses

Shareholder KPIs

$1.34	13%	$10.81
Fully diluted EPS	Return on Equity	Book Value per share

Balance sheet KPIs

Jun-20	**Jun-21**	
$2.1b	**$2.4b**	**Total assets** increased primarily due to increased underwriting and higher valuations for the co-investment portfolio
$0.9b	**$1.3b**	**Total equity** increased driven by the issuance of new preference share capital and the strong rebound in profitability during the period
$1.2b	**$1.5b**	**Accessible liquidity** substantially covers all outstanding medium-term debt
0.6x	**0.2x**	**Net leverage** remains well below 1.0x
0.6x	**0.4x**	**Co-investments** / **permanent & long-term capital** remains well below 1.0x

Investcorp's key performance indicators:

	FY17	FY18	FY19	FY20	FY21
Fee income ($m)	320	321	376	288	**356**
Asset-based income ($m)	102	133	89	(110)	**107**
Gross operating income ($m)	422	454	465	178	**463**
Fee income / operating expenses*	137%	125%	140%	105%	**123%**
Return on average assets	5%	5%	5%	(4%)	**5%**
Diluted earnings per share ($)	1.25	1.30	1.47	(2.57)	**1.34**
Book value per share ($)	11.10	12.13	13.26	10.07	**10.81**
Dividend per ordinary share ($)	0.24	0.24	0.30	0.10	**0.30**

* Excluding tax

Total AUM ($ billions)

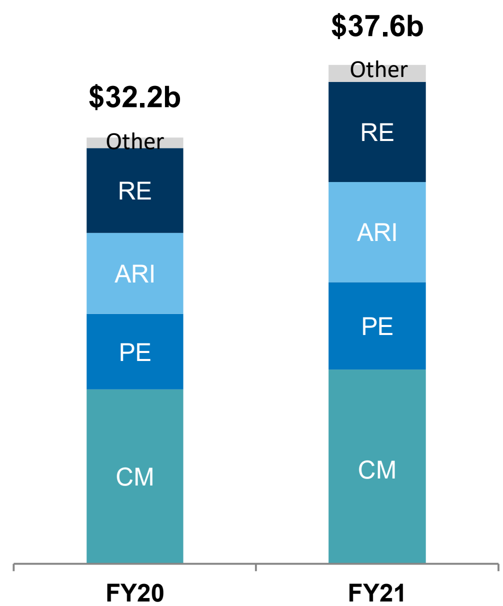
Private equity AUM increased by 16% to $6.6 billion primarily due to the launch and first close of two new private equity funds and expansion in Asia

Real estate AUM increased by 18% during the year to $7.5 billion largely due to the acquisition and placement of five new portfolios and overall performance

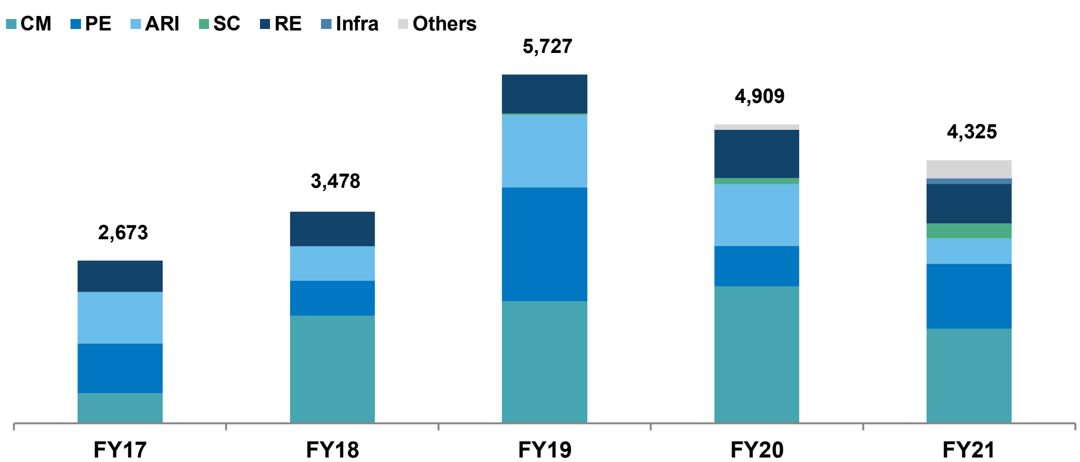
Absolute return investments AUM (managed by the Investcorp-Tages joint venture) increased by 24% to $7.6 billion, largely due to the strong performance and fundraising for Nut Tree Capital Management and continued fundraising across other products

Credit management AUM increased by 12% to $14.7 billion primarily due to the issuance/pricing of three new CLO's and the launch of Mount Row (Levered) Credit Fund II

Strategic Capital AUM and Infrastructure AUM was $0.6 billion due to continued fundraising for the Investcorp Strategic Capital Partners Master Fund, L.P., and new commitments for the ASIIP Fund



Total Fundraising – by asset class ($ millions)



Fundraising ($ millions)

Total fundraising was $4.3 billion (and in addition to the amounts listed below, also includes $252 million of fundraising relating to the issuance of Investcorp Series E Preference Shares)

Private equity

$1,060

$590 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 and the launch of China Pre-IPO Healthcare Portfolio, India E-commerce Portfolio, Sanos, Resultant (formerly KSM Consulting), RoadSafe and offerings of additional investments in K.S.I. Trading Corp. and ABAX

$470 million was raised from clients for the continued fundraising of Asia Food Growth Fund and fundraising for the newly launched Investcorp North America Private Equity Fund and Investcorp Technology Partners Fund V

Real estate

$651

$651 million raised from clients across five new portfolios, and several portfolios carried over from FY20

Absolute return investments

$416

$411 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

$1,558

$1,288 million was raised from the issuance/pricing of three new CLO’s

$59 million of new subscriptions into the open-ended senior secured loan fund, ICM Global Floating Rate Income Fund

$211 million was raised from clients for Mount Row (Levered) II Credit Fund, European Loan Company II & Investcorp Credit Opportunity Portfolio IV

Strategic capital

$247

$247 million of new commitments raised largely for the Investcorp Strategic Capital Partners Fund

Infrastructure

$90

$90 million of new commitments raised for the ASIIP Fund

Investment Activity

Private Equity

Heritage Foods Consumer Hong Kong, China	**CloudCare** Business services Rome, Italy	**Linkedcare** Healthcare Shanghai, China	**RoadSafe Traffic Systems** Industrial services – Supply chain services Illinois, US
Investis Digital Business services London, UK	**Safari Industries** Consumer Mumbai, India	**Resultant** Business services – Technology enabled services Indiana, US	**Sanos Group** Business services - Healthcare Herlev, Denmark
Viz Branz Consumer Singapore	**City Super Group** Consumer Hong Kong, China	**Unilog** Technology – E-commerce Pennsylvania, US / Bangalore, 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

$1.2 billion…

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

Real Estate

Sunbelt Multifamily Portfolio

Type: Multifamily properties
Locations: Phoenix, Arizona; Atlanta, Georgia and Dallas, Texas
No. of properties: 5

US National Industrial Portfolio

Type: Industrial properties
Locations: Tempe, Arizona; Orlando, Florida; Piscataway, New Jersey; Minneapolis, Minnesota; Sacramento, California and Reno, Nevada
No. of properties: 39

UK Industrial IV Portfolio

Type: Industrial properties
Locations: South Wales
No. of properties: 13

2021 Multifamily Portfolio

Type: Residential properties
Locations: Atlanta, Georgia; Owings Mills, Maryland and Jacksonville, Florida
No. of properties: 5

2020 Warehouse & Logistics Portfolio

Type: Industrial properties
Locations: Cleveland, Ohio; Columbus, Ohio; Cincinnati, Ohio and Chicago, Illinois
No. of properties: 32

$696 million…

*…the aggregate capital deployed in **five new real estate portfolios,** and warehoused five additional properties which will be part of future portfolios*

Credit Management

$1.4 billion…

*… the aggregate investment in **five CLOs** for the credit management business*

Strategic Capital

$42 million…

*… the aggregate capital deployed in **one new strategic capital investment***

Exits & Distributions

Private Equity

ORKA holding
Consumer products – Specialty retail
Istanbul, Turkey

Kee Safety
Industrial products
Birmingham, UK

Theeb Rent a Car Co.
Consumer services
Riyadh, Saudi Arabia

Avira
Technology – Security
Tettnang, Germany

L'azurde
Consumer products
Riyadh, Saudi Arabia

Bindawood Holding
Consumer products – Grocery retail
Jeddah, Saudi Arabia

$840 million…

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

Private equity exits included the sale of **ORKA holding**, one of Turkey's leading branded menswear retailers; the sale of **Kee Safety**, a leading global provider of fall protection and safe access solutions and products associate with working at height; the sale of 30% of Investcorp's stake in **Theeb Rent a Car Co.**, a leading car rental and leasing company in Saudi Arabia, following the listing of the company on the Saudi Stock Exchange ("Tadawul"); the sale of **Avira**, a multinational cybersecurity software solutions firm; the sale of **L'azurde,** the Arab world's leading designer, manufacturer and distributor of gold jewelry for the premium mass market, by Investcorp Gulf Opportunity Fund; and 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 Tadawul.

Real Estate

$748 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 FY21 is below:

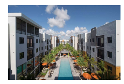

Doubletree Tulsa
Tulsa, Oklahama


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

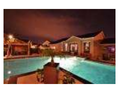

Metric A&B Partial Sale
Austin, Texas


Midtown on Main
Mesa, Arizona


Oakwell
Leeds, England


Aqua Deerwood
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


Mercury 3100
Orlando, Florida


Signature West
Atlanta, Georgia


Bel Air Keystone Ranch
Dallas, Texas


Bel Air Willow Bend
Dallas, Texas


Centurion Park
Rotherham, England

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

Other Realizations and Distributions

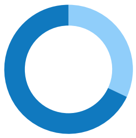
A total of $7 million of distributions to Investcorp and its clients was made from the Special Opportunities Portfolio VIII.

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

DIVERSITY, EQUITY AND INCLUSION

Commitment to Fostering a Diverse & Inclusive Workplace

Global Gender



68%

32%

Age Profile

39 Years

Diverse Global Representation

~430

Employees

45

Nationalities

Key Highlights

Talent Acquisition

The Firm's approach to hiring focuses on securing world-class talent with strong values and diverse representation across backgrounds, genders, and socioeconomic status. Effective fiscal year 2021, all open positions are required to shortlist a minimum of 50% of diverse candidates.

Accountability

Investcorp continuously reviews and enhances its internal policies to ensure that employee benefits and resources support the organization's priority to take care of employees through an integrated approach to healthcare, wellness and work-life flexibility.

Retention & Development

All employees and new hires undergo various DEI training on an annual basis. The Firm continually hosts global conversations, social events, and interactive roundtables for Firm-wide contribution. In addition, Investcorp holds regular interactive workshops with its employees to further strengthen awareness and improve its DEI objectives.

Our Culture

The Firm is committed to fostering an open, inclusive, equitable, and diverse culture, which promotes mutual understanding, transparency and dialogue. The DEI committee ensures that diversity measures are taken and enhanced across the Firm with a focus on each geography globally.

Memberships and Affiliations

30% Club GROWTH THROUGH DIVERSITY

CEO ACTION FOR DIVERSITY & INCLUSION

100 Women in Finance

LEVEL 20

#100BLACK INTERNS

ilpa INSTITUTIONAL LIMITED PARTNERS ASSOCIATION

The Firm's culture is fundamental to its success and aims to build an environment committed to its DEI values. The initiatives are integrated internally and DEI competencies are linked to all employees. A DEI page has been launched on the Investcorp intranet platform which is updated monthly with informative and culture enhancing themes.

As an organization, Investcorp is focused on being committed and accountable to its DEI goals, during fiscal year 2021 an all staff Engagement Survey was launched of which the results were reviewed and certain policies were introduced to enhance a more favorable work-life balance and create a better environment for employees.

Investcorp believes that providing opportunities to young and diverse students generates positive experiences for both the students and their mentors at the Firm, enabling them to broaden their skill set and enhance their paths to achieving their goals. With this in mind the Firm has launched local internship programs across all geographies.

As the world coped with the COVID-19 pandemic, Investcorp conducted a thorough analysis on the affects it has on its people, as a result all employees were provided with access to a platform which has a scientific approach for techniques to help reduce stress, enhance focus, and contribute to better sleep. Additionally, all employees were advised of, and able to access, a strictly confidential mental health hotline available 24/7 to help employees cope with any personal matters of mental wellbeing. This year's DEI focus has prioritized the focus on employees and how Investcorp can have a direct positive impact.

Main Initiatives

Inclusion

Encouraging collaboration, flexibility, and a sense of belonging within the organization by creating an environment all employees are able to participate in and contribute to with full potential.

Authenticity

Being authentic to the Firm's mission and vision whilst striving to create the best place to work, and continuously aiming to better. ourselves and our performance.

Adaptability

Continuously adapting to the everchanging communities globally and being aware of peoples' needs by adapting for a better environment, to the fullest of the Firm's capabilities.

Impartiality

Distributing resources based on the needs of employees and exemplifying fairness.

- No bias treatment
- No prejudgment
- No stereotypes
- No discrimination

Testimonials

Riya Patel
Investor Relationship Management

It is a pleasure to interact with so many individuals from a variety of backgrounds across the Firm and externally. Investcorp fosters a positive environment, whereby employees are able to verbalise their own ideas and challenge the status quo. I strongly believe a diverse mix of voices leads to better discussions, decisions, and outcomes for the Firm.

Vitali Bourchtein
Private Equity, North America

The diversity of our employees is crucial to our success and our ability to create and deliver value to our investors. I am proud of what the North America DEI Committee has accomplished over the past year, including the successful launch of a diverse summer internship program. Although we are still early in our journey, we are committed to enhancing all aspects of DEI at Investcorp and will strive to make sure that our actions advance that goal.

Ajay Kumar
Real Estate, India

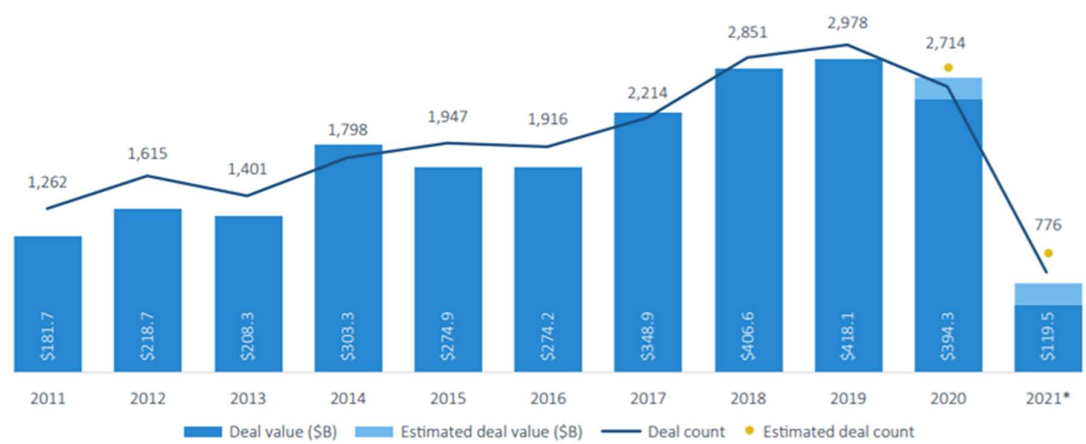
With employees from 45 nationalities, Investcorp DEI journey is all about our commitment to celebrate people for their differences, provide employees equal opportunities and ensure that the diversity of nationalities, gender, culture, and values work in harmony for the larger benefit of the Company and society as a whole.

BUSINESS ENVIRONMENT

Private Equity – North America and Europe

US middle-market private equity (PE) deal activity was very strong during the first quarter (Q1) of calendar year[1] 2021, with deal count and value easily exceeding pre-COVID-19 Q1 2020 levels. According to Pitchbook, US PE firms closed 776 deals in the quarter for a combined $119.5 billion, the second highest quarterly deal value figure on record after Q4 2020. An abundant supply of inexpensive debt and the US Federal Reserve's continued accommodating monetary policies have helped sustain the dealmaking environment robustness which is expected to continue for the rest of 2021. Leveraged finance markets are currently highly supportive of dealmaking at elevated multiples, with buyouts frequently levered to 7x EBITDA or more (per Pitchbook).

US PE deal flow by year

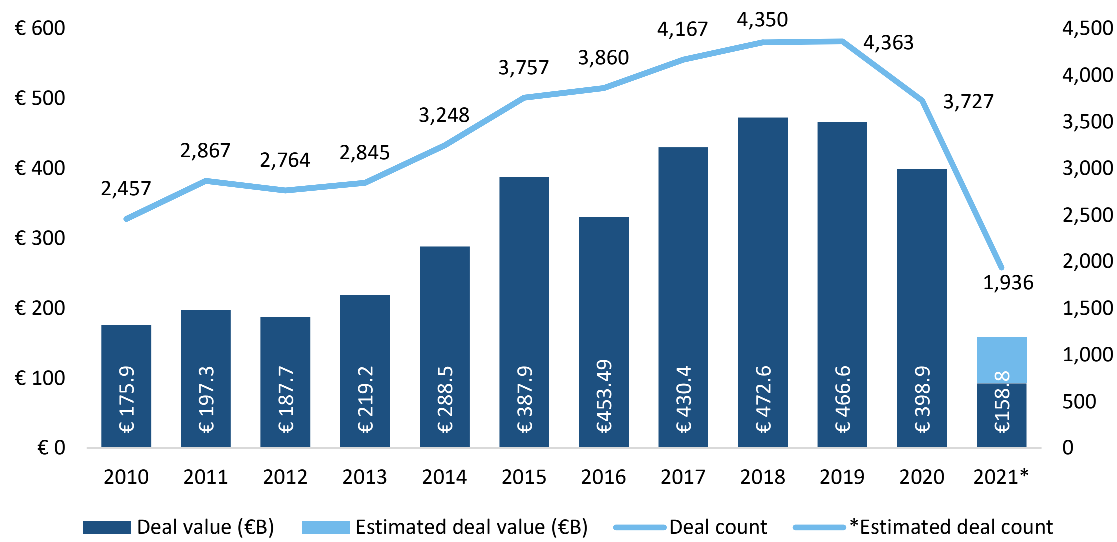


*As of March 31, 2021. Unknown values are estimated based on known figures.
Source: Pitchbook Q1 2021 US PE Middle Market Report

In Europe, deal flow started very strong in 2021. Deal value and volume both accelerated to quarterly records buoyed by increased middle-market activity (deals sized between €100.0 million and €500.0 million) and rising micro-cap transactions (deals sized under €25.0 million), respectively. According to Pitchbook, European dealmakers closed on 1,936 transactions totaling to €158.8 billion, a year-on-year increase of 79.9% and 28.5% respectively. A few factors contributed to the heightened deal activity, including but not limited to the revival in the leveraged lending markets, willing sellers taking advantage of heightened valuations, and pent-up demand from general partners (GPs) eager to put their record levels of dry powder to work. As expected, the proportion of IT deal volume hit 24.7%, indicating the resistance of the sector to the pandemic. The ubiquitous stay-at-home orders in Q1 2021 continued to drive e-commerce, collaboration platforms, and SaaS adoption. Many of the pandemic-induced changes in consumer and business behavior will likely be permanent, not temporary shifts, pushing sponsors to position portfolios to take advantage of the digitization megatrend. Bolt-on acquisitions in Q1 2021 reached a new high representing 70.9% of all buyout deal activities.

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

Europe PE deal activity



*As of March 31, 2021. Unknown values are estimated based on known figures.

Source: Pitchbook Q1 2021 European Breakdown Report

The US PE middle-market exit environment began to normalize in Q1 2021 resulting in healthy exit numbers of 190 transactions for a combined $37.8 billion in the quarter. However, some of this activity represents spillover from 2020's slowdown. According to Pitchbook, holding times ticked up by approximately three quarters, meaning that many companies sold in 2021 were likely slated to be sold in 2020 before the COVID-19 pandemic hit. Middle-market GPs benefited from a range of favorable exit opportunities in Q1, including sponsor-to-sponsor exits, sales to strategic buyers, as well as public listings, including via SPACs. Sponsor-to-sponsor deals, which dropped off in 2020 due to pricing mismatches between sellers and buyers seeking "COVID-19 discounts," are now growing as a percentage of middle-market PE exits.

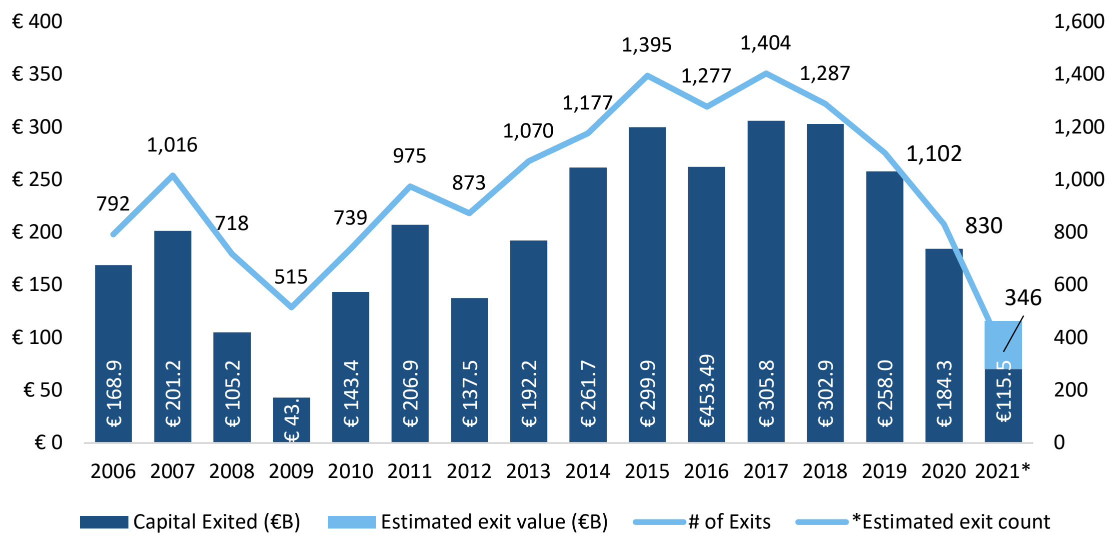
US PE-backed exits

*As of March 31, 2021. Unknown values are estimated based on known figures.

Source: Pitchbook Q1 2021 US PE Middle Market Report

European PE-backed exits activity also had a very strong start to 2021. According to Pitchbook, exits in Q1 2021 amounted to over €115.5 billion - a new quarterly top - across 346 transactions, a year-on-year increase of 33.0% and 150.4%, respectively. This increase is mainly caused by ten years of strong deal making, meaning fund lives are coming to an end, forcing sponsors to now seek exits from a number of portfolio companies. In addition, 2020 was a particularly subdued year with regards to exit activity due to the ongoing pandemic which pushed back many exit processes and ignited pent-up demand from managers moving into 2021.

European PE exit activity



*As of March 31, 2021. Unknown values are estimated based on known figures

Source: Pitchbook Q1 2021 European Breakdown Report

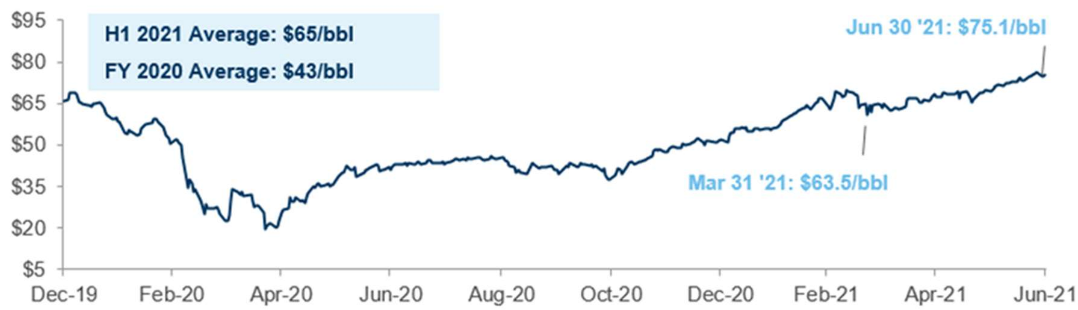
Private Equity – MENA

The beginning of 2021 marked a positive sentiment in oil prices driven by the announcement of stimulus plans in the US, vaccine rollout efforts, rebound in Chinese crude oil imports and the OPEC+ decision to further roll over its nearly 8 mb/d of oil production cuts until May 2021. The bullish sentiment, however, was largely held in check with overall crude oil prices averaging $61.3 per barrel in Q1 2021 as worries over oil demand in India (third largest oil importer in the world) amid record daily coronavirus infections and the emergence of more virulent coronavirus strains outweighed positive economic data from Europe and the US.

Oil prices continued to increase in Q2 2021 averaging at $69.1 per barrel, benefitting from renewed oil demand optimism as the vaccine rollout in advanced economies gathered pace leading to easing of mobility restrictions, although the critical public health emergency in India and rising coronavirus cases in Brazil remained key sources of near-term demand concern. In the US and Europe, road and air traffic improved considerably, according to high frequency mobility data. In the US, demand for gasoline reached within 5% of the pre-pandemic level, while in China, oil consumption is believed to have reached above pre-pandemic levels.

Overall, crude oil prices averaged at $65.2 per barrel during the first half (H1) of 2021, up 51% from the $43.2 per barrel average in 2020. The U.S. Energy Information Administration in its July 2021 report projects oil prices to average at $68.8 per barrel in 2021 reiterating that gains in oil demand are contingent on an acceleration in the rollout of vaccines and robust efficacy against new COVID-19 variants and that concerns of viral resistance to the currently available vaccines and another round of mobility restrictions being triggered as a result is a key downside risk factor.

Brent Crude Oil Price: July 1, 2020 – June 30, 2021 ($bbl)

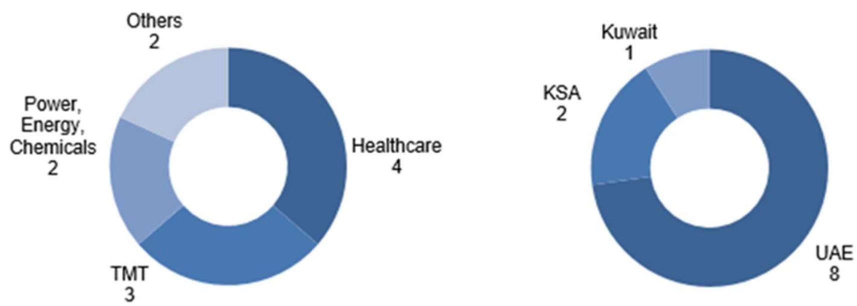


Source: Bloomberg

During H1 2021, the GCC stock exchanges registered two IPOs in Saudi Arabia and one IPO in Qatar with total capital raised of approximately $462 million compared to two IPOs in H1 2020 with total capital raised of approximately $747 million.

H1 2021 recorded 55 M&A transactions in the GCC region, compared to 37 transactions in H1 2021 (+48%). Transactions led by a financial buyer stood at eleven in H1 2021 compared to 14 transactions in H1 2020. Healthcare and Technology, Media, and Telecommunications were the most active sectors, with the UAE being the most active market. During the same period, there were five exits by a financial investor.

Breakdown of GCC Private Equity Transactions in H1 2021 (January 1 – June 30, 2021)



Source: Merger Market, Investcorp Analysis as of June 30, 2021

Note: Others includes Industrials and Transportation

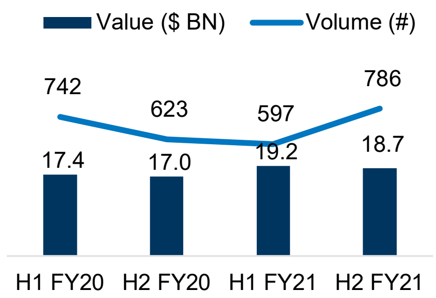
During H1 2021, there were 14 IPOs in Turkey with a total capital raised of approximately $919 million. On the M&A front, Turkey recorded 49 M&A transactions in H1 2021 compared to 36 transactions in H1 2020 (+36%). Transactions led by a financial buyer increased to seven in H1 2021 compared to eight transactions in H1 2020. During the same period, there were six exits by a financial investor.

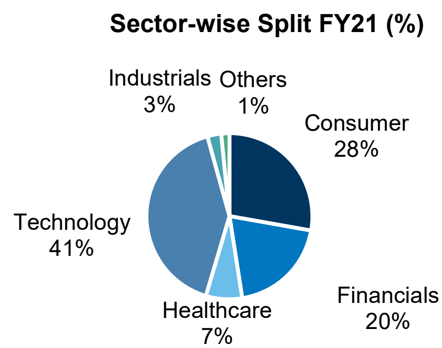
Private Equity – India

Investment Activity

India witnessed a strong deal momentum during the second half (H2) of fiscal year (FY) 2021 despite the impact of the second COVID-19 wave during April to May 2021. Deal volumes in H2 FY21 were up 26% on a year-on-year basis whereas the deal values were up 10% year-on-year. For the entire FY21, deal volumes were broadly similar to FY20 whereas the deal values were up 10% compared to FY20. The higher deal value in FY21 can also be partly attributed to the large investments in the group entities of Reliance Industries (Jio Platforms and Reliance Retail) worth approximately $7 billion.

Companies focused on technology/tech-enabled businesses received a major chunk of PE/VC investments during FY21 as COVID-19 accelerated demand for digital channels and spiked user adoption of on-demand, at home services.





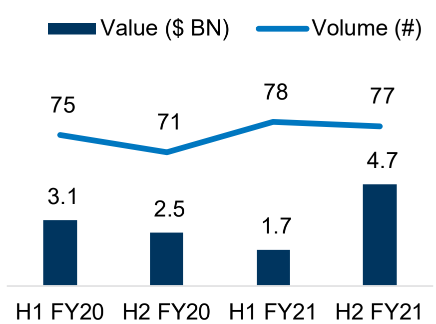
Source: VCCEdge, Bain India Private Equity Report (2021)

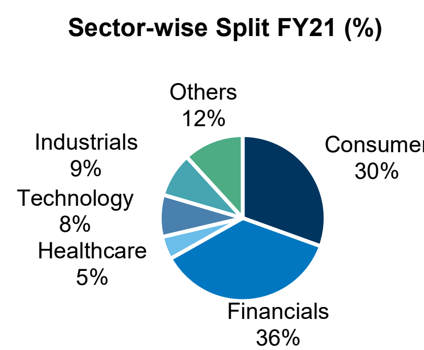
Exit Activity

Capital markets were buoyant in FY21 on the back of sooner-than-expected business recovery, strong foreign institutional investor (FII) inflows, and COVID-19 vaccine approval and administration. IPO markets saw 36 listings in FY21 compared to ten listings in FY20. As a result, exits were marginally higher in FY21 compared to FY20 despite the impact of COVID-19 first and second wave.

Strong IPO momentum is likely to continue going forward as the second wave of COVID-19 has largely subsided in India and companies have reported strong earnings. Several PE/VC backed large consumer-tech companies such as Zomato, Flipkart, PayTM, and Nykaa are expected to go public soon.

In FY21, PE exits were up 88% year-on-year in value and 8% in volume.





Source: VCCEdge

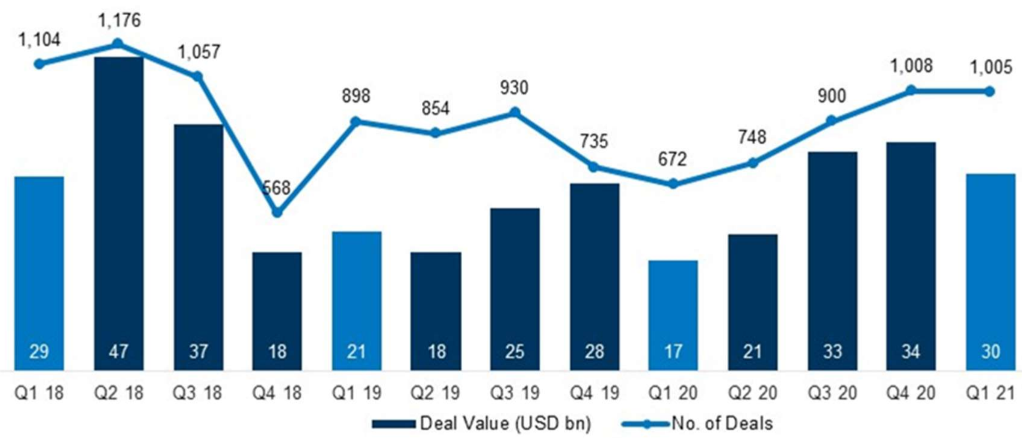
Fundraising Activity

Fundraising activity declined in FY21 compared to FY20, with LPs growing cautious of the uncertain macroeconomic environment. However, surveys indicate that funds are positive about fundraising going forward.

Private Equity – Asia

In China, the total deal value of PE investments reached a new record high in Q1 2021 compared with same quarters in the previous three years. As of Q1 2021, 1,005 PE transactions were announced in China, totaling $30 billion in deal value. Deals showed an increase of 50% and 76% on a year-over-year basis in terms of number of deals and deal value respectively. IT and biotech/healthcare remain the most active sectors, which together account for approximately 42% of the total deal number in Q1 2021.

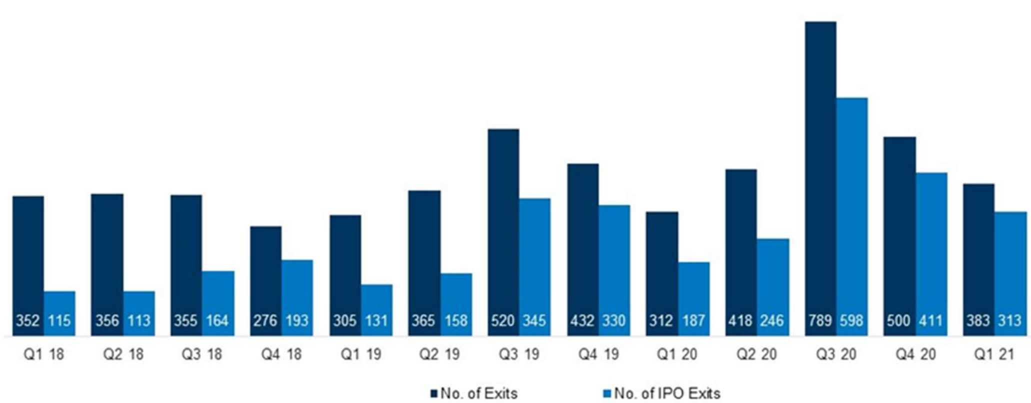
China PE deal activity



Source: PEdata as of April 28, 2021. Note: Assuming FX (USD/CNY) of 6.5

As of Q1 2021, 383 PE transactions were announced in the China exit market – representing a year-over-year increase of 23%. Of these transactions, 313 PE-backed IPO exits have taken place in Q1 2021, a 67% year-over-year increase, driven by the strong IPO markets across Mainland China, Hong Kong and the US.

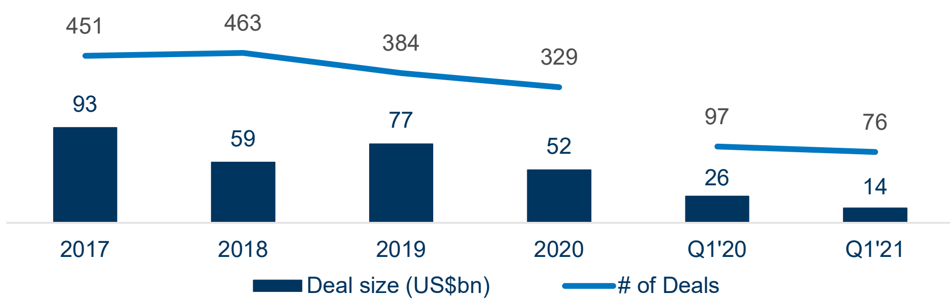
China PE exit activity



Source: PEdata as of April 28, 2021

As of Q1 2021, Southeast Asia recorded 76 deals with a total value of $14 billion representing a 46% decline in total deal value and 22% decline in total number of deals compared to Q1 2020. Deal activity in the region continues to be affected by the COVID-19 pandemic situation, although countries like Singapore and Thailand made progress flattening the contagion curve with effective measures and vaccination programs.

M&A activity - Deals in Southeast Asia, 2017 – Q1 2021

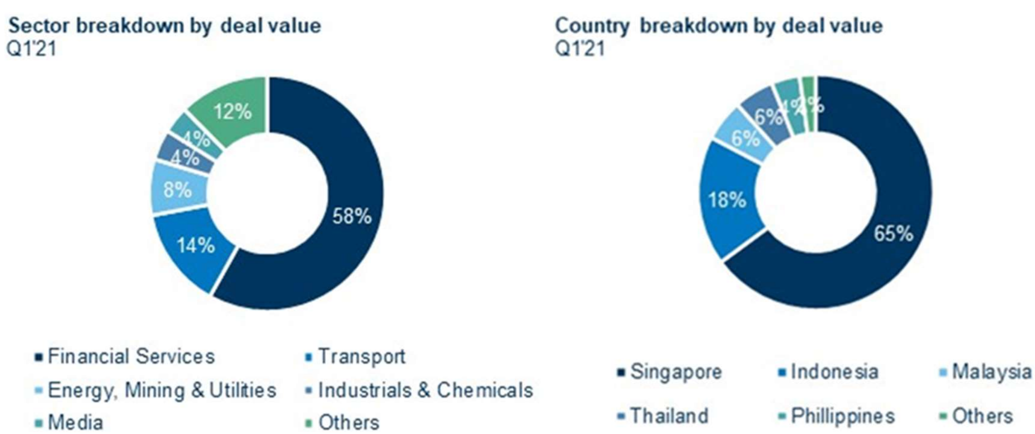


Source: Merger Market Report Q1 2021

Financial Services recorded the highest deal value in the region totaling over $8 billion across seven deals, followed by Transport ($ 2 billion and four deals) and Energy, Metals & Mining ($1.1 billion and ten deals). Singapore was the top country in terms of total deal value (65% of total) and Indonesia was second (18%) driven by the strong interest from inbound deals with $2.4 billion across 60 deals.

The region has seen an increase in PE buyout activity during Q1 2021 with $3 billion of capital deployed across 12 deals (highest quarterly deal value since Q4 2019) led by investments in the Technology sector.

M&A activity – Deals breakdown in Southeast Asia - Q1 2021

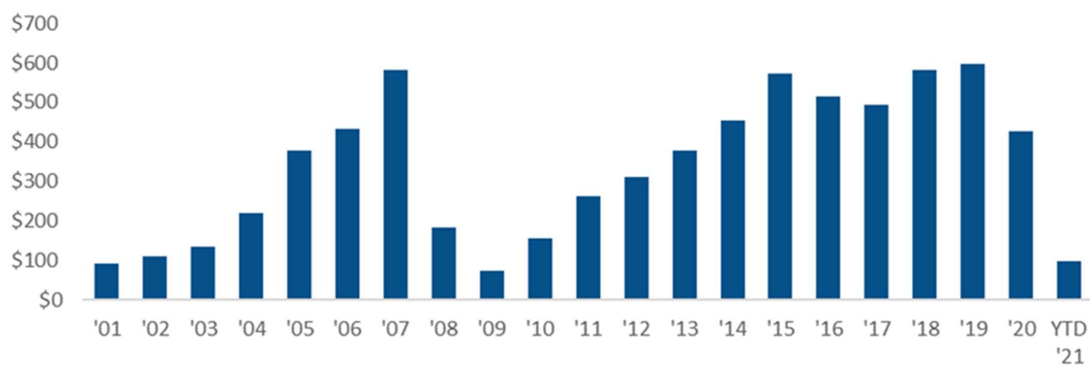


Source: Merger Market Report Q1 2021

Real Estate Investment – North America

As the rate of COVID-19 cases begins to stabilize and with the introduction of vaccines, states and cities have loosened quarantine requirements and restrictions related to travel and business operations. Over the past-year, commercial real estate market fundamentals in the US have continued to vary, 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 March 2021 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 28% in Q1 2021 compared to the same period a year prior due to COVID-19 impacts. However, it is expected that Q1 2021 will be the last quarter where a large year-over-year decline in deal volume will be seen as states reverse shutdown mandates and gain an understanding of how to conduct business in the current market environment. 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 Q1, 2021; Source: Real Capital Analytics, Inc. Q1, 2021

US market fundamentals for the **industrial sector** remained robust through Q1 2021. The sector has shown that it is 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 ongoing durability in the sector, which included net asking rents rising 7.1% year-over-year and vacancy remaining historically low at 4.4% as of Q1 2021. In addition, Q1 2021 recorded positive net absorption of 99.3 million sq. ft., which is the 44th consecutive quarter of positive net absorption. Further, Q1 2021 was the third strongest quarter in the last 11 years for net absorption, almost 60% above the quarterly average. 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. Despite 376 million sq. ft. of industrial space currently under construction, increasing demand from e-commerce and historically strong preleasing is expected to keep asking rates high and continue to push vacancy rates to record lows. 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 2.2% quarter-over-quarter as of Q1 2021 to $8.44 per sq. ft. – the 38th consecutive quarter of rent growth. Strong fundamentals through Q1 2021, increased the 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** remain relatively strong. Suburban submarkets (where Investcorp invests) continue to outperform urban markets due to COVID-19 and continued remote-working arrangements. The multifamily market stabilized in Q1 2021, one quarter earlier than expected, on the heels of a COVID-19 vaccine and additional fiscal stimulus and should experience solid performance throughout the rest of 2021. In 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 Q1 2021 remain low at 4.7%, which was up slightly (20 basis points) from the prior quarter. The average rent rose 0.4%, the first quarterly increase since Q1 2020. According to the National Multifamily Housing Council, rent collections have improved to the mid 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 Q1 2021. Among investors, the multifamily sector continues to be viewed as a safe haven.

The **US office sector** was negatively 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. Despite the significant drop in actual office occupancy, credit-quality tenants have continued to pay rent, as is shown by Investcorp’s office portfolio collection rate remaining in the mid to high-90% range since the onset of the pandemic. According to CBRE, in Q1 2021, the office market recorded 34.8 million sq. ft. of negative net absorption, the largest quarterly decline since 2001. Overall office vacancy rose by 1.0% quarter-over-quarter to 16.0%, the highest level since 2012. While leasing activity continued to be down in Q1 2021, leasing professionals reported increases in touring activity and prospective tenant inquiries. This interest suggests a possible improvement in figures in Q2 2021. Average gross asking rents in Q1 2021 declined by 1.6% year-over-year to $34.72 per square foot. A recent study by the Partnership for New York City shows that 62% of New York City employers expect employees to return to the office by September 2021, a 17% increase from three months prior. With New York City as the bellwether, other cities should expect to see a gradual return to office in the near period, which is expected to bring back a return in property performance.

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 2020-2021 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. Despite COVID-19, effective asking rents remained relatively flat year-over-year in the spring of 2021 and saw growth of about 1% since fall 2020. Nationwide occupancies are rebounding, with Q1 2021 vacancy at 10.4%, a significant improvement from the 12.0% posted in Q3 2020, and only about 1.5% higher than Q1 2020 (the height of COVID-19). With a majority of the country’s largest university systems, including the University of California and University of Texas systems, having indicated plans to return to campus in the fall, it is expected that the student housing asset class will continue to be a strong performing asset class, as it is defensive in nature and has outperformed other asset classes in recent years.

Real Estate Investment – Europe

United Kingdom

The UK economy contracted sharply in 2020 with GDP falling 9.8% due to strict lockdowns and the emergence of the Alpha COVID-19 variant. For the UK industrial and logistics sector however, 2020 proved to be a record-breaking year in which the sector saw unprecedented levels of occupational and investment demand which have continued in H1 2021. During Q1 2021, UK industrial and logistics take-up reached 14.7 million sq. ft., making the last 12 months the most active period on record. Retailers, parcel delivery companies and third-party logistics accounted for the majority of demand. This increase in demand for space combined with the lack of supply continues to put upward pressure on rents, with prime rents growing on average 6.2% p.a. since Q2 2020.

In Q1 2021 investment volumes for UK logistics reached £2.7 billion, the highest Q1 level seen in more than five years. Prime yields for logistic assets remain under downward pressure and now stand at 3.75%. The long-term outlook for the sector remains positive as the COVID-19 pandemic has accelerated ongoing structural market trends, with e-commerce making up an ever-increasing share of retail distribution channels.

In the office sector, take-up totalled 2.0 million sq. ft in Q1 2021, an increase of more than 200% when compared to Q2 2020. Despite this increase in take-up, leasing activity remains well below the five-year quarterly average of 3.6 million sq. ft. As lockdown restrictions continue to ease, regional office markets are expected to rebound in H2 2021. Encouragingly, despite subdued take-up levels, record rents have been achieved in many markets, providing evidence that occupiers are prepared to pay top rents for quality office schemes. As many companies seek to encourage employees to return to the office, the importance of office as a space for learning, collaboration and well-being is becoming increasingly prominent.

Investment volumes in the UK office market (including London) reached £1.07 billion at the end of Q1 2021, a 32% decrease on the long-term average for deals recorded in the first quarter. Prime regional office yields have remained stable at 5.00% since April 2020, when yields increased 25 basis points in response to the pandemic. Yields are forecast to remain stable in the near term.

Germany

After more than a year of the COVID-19 pandemic, which saw GDP contract by 4.9% in 2020, the German office markets have remained largely resilient to the crisis. After the third wave of COVID-19 infections in early 2021 and a resulting lockdown, restrictions were largely relaxed in June 2021. The vaccination program accelerated significantly in Q2 2021 and infection rates in June 2021 were very low by international comparison. The Ifo Business Climate Index rose sharply in June 2021 as business optimism for the second half of the year increased. GDP growth of 3.8% in forecast for 2021 and the unemployment rate is expected to decrease from 3.8% to 3.6% in 2022.

The 'Big 7' German office markets (Berlin, Cologne, Dusseldorf, Frankfurt, Hamburg, Munich and Stuttgart) recorded take-up of approximately 1.2 million sq. m. in H1 2021, which represents a 1% year-on-year increase. Corporate reluctance to relocate to new premises has kept the volume of new leases below the 10-year average level in H1 2021. The amount of office space in all of Germany's top 7 cities that is available at short notice grew slightly during the first two quarters of 2021, on average by 1.1 %. The average vacancy rate across the 'Big 7' increased from 3.8% to 3.9%. Despite this minor increase, the vacancy rate remains low with quality space in short supply, this is evident in rental rates which have seen little change with prime rents in the ‘Big 7’ remaining stable in H1 2021.

With occupational demand somewhat subdued during H1 2021, take-up is expected to rebound in the remainder of the year. Due to the uncertain economic situation, many companies have paused their leasing decisions in the short term however, with greater clarity as the pandemic progresses and the vaccination program gains traction, companies will become more active once again, generating more demand in the office market. Since companies require a lead time for their plans, a noticeable increase in letting activity is mainly expected from Q4 2021.

Overall, the investment market for offices located in Germany’s top 7 cities was gathering momentum by the end of Q2 2021 with transactions totaling €12.5 billion. Prime yields remained stable in H1 2021, having remained unchanged from 2020. Due to greater demand for core real estate, the average prime yield on offices contracted slightly to 2.88 % (-0.05 percentage points). Yields are likely to decline further in the near term as appetite for German offices remains robust with investors keen to deploy capital in the sector. The investment market for core plus and value-added office product, which saw very little transaction activity in 2020, showed signs of recovery in Q2 2021.

The Netherlands

The Dutch economy fared relatively well in 2020, contracting by 3.7% compared to the euro-zone average of 6.8%. The downturn was less severe as compared to European countries due to less strict lockdowns. GDP growth of 2.7% is forecast for 2021 with an unemployment rate of 4.3% in 2021, rising to 4.4% in 2022. The Netherlands started to ease COVID-19 lockdown measures in Q2 2021 as the country came out of its third wave of infections, allowing employees to return to the office. As is the case in Germany, it is expected that the easing of restrictions and opening of the economy will lead to a recovery of the occupational office market in the second half of 2021.

Office take-up in the Netherlands was approximately 402,000 sq. m. in H1 2021, a 29% decrease compared to H1 2020. Expansion or relocation plans of office occupiers were predominantly put on hold. Thus, despite declining take-up, the vacancy rate in the Netherlands remained stable around 8.2%.

Prime office rents in The Netherlands remained stable in Q1 2021. In secondary locations, incentives have risen which has impacted net effective rents. The office investment volume in Q1 2021 declined by 65% to €472 million compared to the same period last year. Prime office yields remained stable in H1 2021 at 2.85% as investors focused on low-risk core investments with prime tenants and long-term leases. As is the case in Germany, there are signs that the investment market for core plus and value-added product is rebounding as of Q2 2021.

Belgium

The Belgian economy was severely impacted by COVID-19 in 2020 with a decline in GDP of 8%. Lockdown restrictions continued to drag on activity in Q1 2021, however, the easing of restrictions in mid-April 2021 alongside the rollout of the vaccine has led to a pickup in momentum, with record quarterly growth forecast in Q3 2021. GDP growth of 4.3% is forecast for 2021 with unemployment expected to gradually decrease to stand at 6.7% at the end of 2023.

Occupational take-up in Brussels totaled 110,000 sq. m. in Q1 2021, which is the second best start to the year since 2015, although this was driven by a relatively small number of deals. Most large occupiers continue to adopt a ‘wait-and-see’ approach to their office space requirements. The office market vacancy rate remained stable at 7.5% in Q1 2021, as did prime rents.

Commercial real estate investment activity in Brussels remained in line with previous years at €535 million (Q1 2021), however, two large owner-occupier transactions accounted for more than 60% of the total. Prime yields remained stable at 3.5% which is a historic low. Appetite for core products remains strong.

Real Estate Investment – India

Global Trends

Q1 2020 was the second consecutive quarter to register residential quarterly sales that surpassed the 2019 pre-COVID-19 average. Residential sales were impacted in the months of April and May due to the second COVID-19 wave in India. Sales activity restarted in June and has shown initial signs of a continued recovery in residential real estate. The COVID-19 pandemic reinforced the need for home ownership and the requirement for larger homes, which coupled with other factors such as multi-decade low home loan interest rates, competitive house prices, developer driven flexible payment schemes as well as stamp duty cuts in key micro-markets, is expected to serve as a catalyst to reignite latent demand.

Investments

Investor activity bounced back sharply in Q1 2021. Q1 witnessed investments in the real estate sector to the tune of $3.2 billion, which is equivalent to 80% of that witnessed in full year 2020 and 48% of full year 2019. The recovery in investments (in value terms) was primarily driven by the office and retail segments. The recovery was evident in volumes (number of deals) as well. Q1 2021 witnessed 19 deals compared to 21 deals in the entire 2020. The residential segment witnessed investments totalling $234 million in Q1 2021. The investor preference, which had moved from equity to debt in the last decade, again tilted in favour of equity in 2020 and Q1 2021, indicating a resurgence in risk appetite. The office segment witnessed investments worth $2.1 billion in Q1 2021, which is equivalent to 92% of that witnessed during the full year 2020 and 72% of investments during entire 2019. The retail segment witnessed investments worth $484 million compared to $220 million during the full year 2020.

Residential Sector

Sales recorded in Q1 2021 were higher by 17% over the previous quarter. The Q1 2021 sales were also 17% higher than the 2019 quarterly average sales. In addition to other factors as highlighted above, continuation and permanent adoption of work from home by the IT industry provided a boost to sales.

Healthy growth in sales also encouraged developers to launch new projects. New launches were 36% higher than 2019 quarterly average launches.

India Market Snapshot (Quarterly)						
	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q1 21 YoY Growth (%)	Q1 21 as % of 2019 Qtr Avg.
Sales (Housing Units)	9,632	33,403	61,593	71,963	44%	117%
Launches (Housing Units)	5,884	31,106	55,033	76,006	38%	136%

Going forward, with expectation of rapid vaccination progress and economic aspirations to return to normality, activity levels are expected to improve once important vaccination milestones are achieved.

Commercial Office Sector

Keeping pace with the recovery momentum witnessed during Q4 2020, gross leasing activity recorded a 5.3% quarter-on-quarter growth with 12.2 million sq. ft. of Grade A office space leased during Q1 2021. Mumbai accounted for the highest share (24%) in the quarter, followed by Bangalore (20%) and Delhi-NCR (17%). On an annual basis however, Q1 gross leasing was lower indicating a dip in the market activity given the ongoing pandemic. Despite an improvement in gross leasing momentum on a quarterly basis, the net absorption across cities has been lower on the back of continued portfolio optimisation which caused a spike in vacancy levels.

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%

The last 2-3 quarters have witnessed instances of consolidation as well as rebalancing of portfolios among large occupiers. While the former has resulted in rising vacancy levels across cities, it has also enabled tenants, holding large office real estate prior to the pandemic, to re-evaluate their footprint and future leasing plans.

As occupiers continue to review, revise, and fine-tune their space strategies over the next 3-9 months, Investcorp expects market activity could remain flat in the short term with limited deal closures. Investcorp also expects some delays in completion of projects due to COVID-19 related lockdowns.

Change in business sentiments depending on the severity of any future waves and its containment as well as timely completion of projects with significant pre-leased spaces could have a positive impact on the net absorption in H2 2021.

Sources: Knight Frank India Research for Q1 2021 (PE Investments and Residential Sector Update), Cushman & Wakefield India Research for Q1 2021 (Office Sector Update)

Absolute Return Investments

Hedge funds delivered performance of 4.8% for the second half of FY21, as measured by the HFRI Fund of Funds Composite Index.

Global macro discretionary funds posted a strong second half of FY21 with the HFRI Macro (Total) index up 7.90% and the HFRI Macro: Discretionary Thematic index up 6.2%. Overall returns over the last six months for macro managers have been mixed. Many managers were positioned for the "reflation' trade and got caught off guard as the US treasury curve flattened and the US dollar strengthened towards the end of FY 2021. Performance was led by commodity managers with the HFRI Macro: Commodity index up 14.8%. Managers were able to profit from the strong returns in the energy, agriculture and industrial metals sectors. Subdued volatility in FX markets was generally more challenging for FX focused managers with the HFRI Macro: Currency index returning -1.5%.

Commodity trading advisors ('CTA') posted solid returns in H2 FY21, broadly in line with global macro discretionary managers. The HFRI Macro: Systematic Diversified index gained 7.5% and the Societe Generale CTA index was up 6.5%. CTA managers have been beneficiaries of long and continuous trends, particularly in equity and commodity markets; including a diversified long equity positioning across US, Asia and emerging markets, and persistent trends across the commodity complex including industrial metals, energy and the agricultural complex.

Equity market neutral (EMN) strategies performed better in H2 FY21 than H1 FY21 as represented by the HFRI EH: Equity Market Neutral Index which was up 5.2%. The "value" factor made a long-awaited resurgence after underperforming "growth" for an extended period of time. Fundamentally orientated EMN managers and quantitative EMN managers were broadly on par.

Fixed income relative value (FIRV) strategies underperformed in H2 FY21, as represented by HFRI RV: Fixed Income – Sovereign Index which advanced by only 1.8%. Subdued fixed income volatility levels from significant central bank intervention have weighed heavily on the strategy.

Convertible arbitrage strategies were unable to maintain their very strong momentum from H1 FY21 but were still up 4.6% as represented by the HFRI RV: Fixed Income Convertible Arbitrage Index. The new issuance calendar remains very robust helping managers that are active in the primary market. However, falling volatility levels and already tight credit spreads meant that much of the returns were made in the preceding six months.

Credit funds were up 7.3% in H2 FY21 as measured by the HFRI: Credit Arbitrage Index. Credit spreads across US and European credit markets have continued to retrace in 2021 and have exceeded the tight levels of early 2020 in all areas except European Loans. High yield has continued to outperform investment grade as the broader market environment continues to normalize. Returns have been strong across sub-strategies with the Distressed strategy as represented by the HFRI ED: Distressed/Restructuring Index rising by 14.8% in H2 FY21, closely followed by the HFRI ED: Special Situations Index at 13.0%.

Equity long/short (L/S) hedge funds finished the second half of FY21 up 12.7% as measured by the HFRI: Equity Hedge (Total) Index. Equity long / short managers have benefitted from buoyant equity markets, that have been driven by significant monetary and fiscal stimulus and the strong rebound in earnings after the initial shock of COVID-19. Cyclical and value sectors such as Energy, Financials and Industrials have performed particularly well. Performance has also been diverse geographically with European markets, for example, keeping pace with the US for the first time in a while.

Event driven funds were up 11.5% over the second half of FY21 as measured by the HFRI Event Driven (Total) index. Key sub-strategies such as activism (HFRI ED: Activist index, +13.0%) and special situations (HFRI ED: Special Situations index, +13.0%) posted strong gains. The HFRI ED: Merger Arbitrage Index lagged in absolute terms, delivering a positive return of 8.6% in H2 FY21, however with its inherently more conservative risk profile it did well on a risk-adjusted basis. Managers also benefited from the rotation into cyclicals / value due to the COVID-19 vaccine news as well as more opportunistic "economy reopening" trades in leisure and travel companies for example. Some event driven managers also successfully played the exuberant SPAC market in January and February.

Credit Management

US market

The credit environment is expected to remain favorable in H2 2021. The global economy is continuing its post-pandemic recovery, central banks remain accommodative, capital markets are accessible to borrowers and credit fundamentals are improving. These factors drove strong H1 returns for high yield (HY) and leveraged loans of 3.89% and 3.48%[2], respectively which are expected to extend into H2. Demand for leveraged loans, given their low duration and floating rate nature, should benefit from continued concerns about rising rates that drove strong returns in H1 2021.

Credit fundamentals continue to improve as a sharp post-pandemic economic recovery has accelerated into Q3 2021. Revenue and EBITDA are increasing, leverage is declining (from a spike of 6.41x in Q2 2020 down to 5.36x as of Q1 2021[3]), default activity is low and these improving trends are expected to accelerate as the anniversary of the weakest quarters during the pandemic is approached. Borrowers have taken advantage of favorable capital markets conditions to improve liquidity and extend maturities. The current 1.25% trailing twelve-month default rate is significantly down from a peak of 4.17% in September and the current distress ratio of 1.02% is at the lowest level since November 2014[4]. Default rates are expected to remain below average for the remainder of 2021 and 2022 with most strategists calling for 1.0%-2.0% through 2021.

Despite record low yields for bonds and loans, continued strong performance for leveraged credit is expected. On a relative value basis, loan yields look attractive compared to high yield bonds. Yields for the HY bond index (4.37%) are only 21bps above that of loan issuers (4.16%), compared to a 92bps gap for the cross issuer base since 2010[5].

From a technical perspective, demand for loans remains robust. CLO issuance ended at a record $79 billion[6] in H1 and is projected to reach $140 billion for the full year[7] which would surpass the full year record of $129 billion in 2018. Inflows into loan retail mutual funds and ETFs have been averaging over $750 million per week year-to-date[8] as investors, worried about rates, continue to favor the floating rate nature of loans.

On the supply side, given extremely low yields, 2021 has seen a record pace of leveraged credit issuance ($330 billion in leveraged loans and $286 billion in HY bonds[9]). The total market size outstanding surpassed $3 trillion at

[2] Source: Credit Suisse High Yield Index, Credit Suisse Leveraged Loan Index, June 30, 2021.
[3] Source: S&P/LSTA Leveraged Loan Index, March 31, 2021.
[4] Source: S&P LCD News, July 1, 2021.
[5] Source: JP Morgan, High-Yield and Leveraged Loan Morning Intelligence, July 16, 2021.
[6] Source: S&P LCD, June 29, 2021
[7] Source: JP Morgan, 2021 Mid-Year High-Yield Bond and Leveraged Loan Outlook, June 28, 2021
[8] Source: JP Morgan, High-Yield and Leveraged Loan Morning Intelligence, July 16, 2021
[9] Source: S&P LCD, June 29, 2021

the end of H1 2021[10]. Many strategists have now revised their initial 2021 full year issuance projections to more than $600 billion in loans and more than $500 billion in HY bonds.

US market outlook

Investcorp continues to expect strong US economic growth to sustain into 2022 albeit at more modest levels than the torrid, immediate post-COVID-19 growth rates currently underway. Consensus expectations are that the Fed will likely begin tapering its asset purchases late this year and is likely to begin raising rates in the first half of 2023, if not somewhat sooner. Leveraged credit, and loans in particular, are expected to continue to perform well in this environment.

In terms of Investcorp's current industry positioning and concerns in the US market, the Delta variant concerns could delay some of the full potential of the reopening, but not derail the recovery. In particular, Investcorp is less concerned about Delta in geographies with high degrees of vaccination penetration. Investcorp is aware of the pressures that wage, material and other input cost inflation could put on earnings. However, given robust economic demand, most borrowers in Investcorp's portfolio have been able to offset these pressures with price increases and expect some of these structural pressures to ease later in the year. The Firm is more cautious on sectors and individual credits with "reversion risk" and have reduced exposure in areas where we are unsure of the sustainability of the COVID-19 led demand bump.

Investcorp continues to drive value and outperformance through a "front footed" active trading and portfolio management approach focused on protecting principal while also finding opportunities for capturing total return and convexity.

European market

Total new issuance levels across the European leveraged loan and high yield markets set record levels in H1 2021, as the market was flooded with deals either from private equity deploying its dry powder in new transactions after a relatively barren COVID-19 hit 2020, issuers accessing more liquidity to drive COVID-19 recovery plays or private equity sponsors refinancing the deals which were transacted at premium pricing in 2020.

To put this in context, the total issuance across loans and high yield of €151.5 billion in H1 2021 was €11 billion or 8% above the previous record year in 2007. High yield issuance set an outright record at €70.6 billion in H1 2021 and loan issuance of €80.9 billion, although behind the record H1 2007 issuance of €118.4 billion, looks set to potentially rival the full year tally for issuance in 2007 of €165.5 billion.

Despite this significant level of issuance, the leveraged loan market generally absorbed the new issuance as new CLO issuance and repayments alongside pent up demand for assets kept the demand for assets high. In fact, Europe saw a supply deficit for much of H1 2021 providing a strong technical tailwind.

As a result, issuers generally benefitted from favorable pricing, with tightening spreads through most of H1 2021. This in turn fueled an increase in opportunistic dividend recap and refinancing activity by sponsors. The secondary market bid also held up well as demand for assets remained strong.

From a credit risk perspective, the original predictions of high single digit default rates for loans in Europe has not materialized. The combination of easily available liquidity from governments and/or markets and private equity sponsors alongside the almost completely covenant-lite nature of the European market, which has removed any

[10] Source: S&P/LCD News, July 15, 2021

triggers for a default unless an issuer runs out of liquidity, has meant that defaults, despite the clear COVID-19 related underperformance of some credits, have been almost non-existent. H1 2021 saw the default rate for European leveraged loans continue to decrease, ending the half year at 1.13% having started the year at 2.57%. To put this in full context, the European default rate is now only just above the level of 0.97% recorded in February 2020 immediately before the COVID-19 crisis.

This all fed into positive returns for European leveraged loans and high yield bonds in H1 2021. European leveraged loans generated a return of 2.91%, with the average price of the index finishing the half year at 98.74% (versus 97.35% at the end of December 2020). Returns were driven by higher risk assets, as the low default rates and COVID-19 recovery plays enticed more risk taking across the market, with CCC loans returning +10.73% in H1 2021 while Single-B's gained +2.50% and BB loans returned +1.29%.[11]

European High Yield bonds were similarly positive, generating a return of +3.26%, with the average price of the index finishing June 2021 at 100.91% (versus 98.58% at the end of December 2020)[12].

European market outlook

Looking forward into H2 2021, European credit markets seem set for a positive second half driven by increasing spreads and ultra-low default levels.

The European leveraged loan market has started to show the first signs that the weight of primary issuance seen to date, and expected going forward, is starting to cause some indigestion. New issuance loan spreads increased in June 2021, as a combination of the strong forward primary pipeline, with new issuance showing no signs of abating in the near term, reduced repayments and slowdown in demand for CLO AAA assets in Europe has shifted the supply/demand balance.

Given the relative reliance on CLOs in the European market, which represent over 50% of primary issue demand in the market[13], this last point is especially important as European loans tend to generate very strong underlying new issue spreads in the periods where primary issuance is high and the new CLO issuance market is more difficult. Although CLO AAA spreads averaged 86 bps in Q1 2021 the expectation is that spreads will increase to 100bps+ in Q3 2021 given the relative level of supply and demand in the new issuance CLO market.

The dynamic seen in June 2021 has continued into July, resulting in both spreads on new issue widening and some softness in the secondary market, especially in low rating/lower spread names, and it is expected to continue through Q3 2021 and potentially into Q4 2021 if, as expected, new issuance is maintained at current levels.

Positively, the overall size and liquidity of the European leveraged loans market has benefitted from the recent levels of new issuance. The market (per the Credit Suisse Western European Leveraged Loan Index) now comprises 520 issuers with a face value of €340 billion compared to 507 issuers and a face value of €310 billion at the end of December 2019[14]. The size of the market is expected to continue to grow over 2021, providing more opportunity to diversify risk and actively manage portfolios.

From a credit risk perspective, it is hard to see at the current time the driver for an increase in default rates in the near term, despite the fears of a Delta variant driven third (or fourth) wave of COVID-19 cases in Europe. Defaults are expected to occur in the market but likely in 2022 and beyond as issuers deal with either the removal of

[11] Credit Suisse Western European Leveraged Loan Index, June 30, 2021
[12] Credit Suisse Western European High Yield Bond Index, June 30, 2021
[13] S&P LCD, July 2021
[14] Credit Suisse Western European Leveraged Loan Index, June 30, 2021

government liquidity or the overall strain on their balance sheets from COVID-19. However, even these defaults are expected to be sporadic and it is more likely that the more overly levered credits across the European market will see their maturities extended so that they can eventually grow out of their current structures given that a default is unlikely to be the best option for issuers or investors.

Clearly, risks do still exist in the market. In the short-term inflation is a potential issue across all issuers in credit markets both in terms of long-term wage inflation as employment normalises and in the time lag between increases in input prices and the ability of issuers to pass that on to customers. However, these impacts are expected to feed through Investcorp's portfolio companies over 2021 and to be broadly offset by the increase in performance as the COVID-19 recovery continues. Longer term, Investcorp is still wary of the impact of the eventual removal of central bank stimulus from European markets.

Overall H2 2021 is expected to provide strong investment opportunities for Investcorp's Funds. Given Investcorp's strong market position, the Firm is well placed to continue to benefit from the strong, well-priced primary issuance seen recently and to use this to rotate portfolios to increase yields.

DISCUSSION OF RESULTS

Results for the Year

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

Despite the continued impact of the COVID-19 pandemic on the macro-economic and fiscal environment, profit for the year of $125 million reflects a strong turnaround from the loss of $165 million for the prior fiscal year (FY20). Investcorp's FY21 results were driven by good levels of activity across all asset classes, resulting in an annualized return on equity ('ROE') of 13% and fully diluted earnings per share ('EPS') of $1.34 per ordinary share.

Income ($ millions)	FY21	FY20	% Change H/(L)
Fee income	356	288	24%
Asset-based income (loss)	107	(110)	>100%
Gross operating income	**463**	**178**	**>100%**
Provisions for impairment	(4)	(26)	(85%)
Interest expense	(31)	(40)	(23%)
Operating expenses	(290)	(275)	5%
Profit (loss) before tax	**138**	**(163)**	**>100%**
Income tax expense	(13)	(2)	>100%
Profit (loss) for the year	**125**	**(165)**	**>100%**
Basic earnings per ordinary share ($)	1.42	(2.57)	>100%
Fully diluted earnings per ordinary share ($)	1.34	(2.57)	>100%

Fee income increased to $356 million (FY20: $288 million) driven by an increase in both AUM fees as well as in deal fees. Asset-based income was $107 million (FY20: loss of $110 million) reflecting a successful turnaround across all asset classes.

Interest expense decreased by $9 million, driven mainly by lower borrowings. Operating expenses increased by 5% to $290 million (FY20: $275 million) mainly due to an increase in variable compensation, in line with the increase in gross operating income. The tax expense increased by $11 million, in line with the increase in fee 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, all fees from client investments in ARI and CM as well as placement fees earned on PE and RE investments from program clients; 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 (excluding placements with program clients) 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)	FY21	FY20	% Change H/(L)
PE fees	91	88	3%
CM fees	59	55	7%
RE fees	35	28	25%
Other management fees	32	17	88%
AUM Fees	**217**	**188**	**15%**
Activity fees	113	101	12%
Performance fees	26	(1)	>100%
Deal fees	**139**	**100**	**39%**
Fee income	**356**	**288**	**24%**

Total fee income in FY21 increased to $356 million (FY20: $288 million) showing an improved profile of earnings with a greater proportion of fee income (excluding performance fees) attributable to recurring AUM fees.

AUM fees were $217 million in FY21, 15% higher than FY20. The increase reflects a higher level of client assets under management driven by strong fundraising during the year, and an increase in other management fees, primarily driven by higher performance fees from ARI AUM.

Deal fees also increased in FY21 to $139 million (FY20: $100 million), driven by growth in activity and performance fees reflecting increased activity and good performance across all asset classes.

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 of $107 million, was primarily driven by a significant increase in the PE and CM returns during the year reflecting a strong recovery from the effects of the COVID-19 pandemic on asset values in FY20.

Asset-based income ($ millions)	FY21	FY20	% Change H/(L)
Private equity investment	42	(96)	>100%
Credit management investment	49	(22)	>100%
Absolute return investments	1	(5)	>100%
Real estate investment	16	31	(48%)
Other strategic investments	(11)	(27)	59%
Investment in joint ventures and associates	4	-	n.m.
Treasury and other asset-based income	6	9	(33%)
Gross asset-based income (loss)	**107**	**(110)**	**>100%**

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

PE asset-based income KPIs ($ millions)	FY21	FY20	% Change H/(L)
Asset-based income (loss)	42	(96)	>100%
Average co-investments	309	418	(26%)
Absolute yield	13.6%	(22.9%)	36.5%

CM asset-based income KPIs ($ millions)	FY21	FY20	% Change H/(L)
Asset-based income (loss)	49	(22)	>100%
Average co-investments	335	345	(3%)
Absolute yield	14.5%	(6.4%)	20.9%

ARI asset-based income KPIs ($ millions)	FY21	FY20	% Change H/(L)
Asset-based income (loss)	1	(5)	>100%
Average co-investments	58	94	(38%)
Absolute yield	1.7%	(5.3%)	7%

RE asset-based income KPIs ($ millions)	FY21	FY20	% Change H/(L)
Asset-based income	16	31	(48%)
Average co-investments	193	381	(49%)
Absolute yield	8.3%	8.1%	0.2%

Returns across all asset classes have been positive. The continued 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 healthy financial markets, resulted in a positive asset based income of $107 million for FY21, compared to a loss of $110 million in FY20 reflecting a strong recovery.

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 23% to $31 million in FY21 from $40 million in FY20. The decrease was due to reductions in average cost of funding, average drawn funding amounts and commitment costs associated with undrawn revolvers. Reduction in average cost of funding was mainly driven by a reduction in the average LIBOR rates and the funding mix during the year.

Interest expense ($ millions)	FY21	FY20	Change H/(L)
Total interest expense	**31**	**40**	**(9)**
Average short-term interest-bearing liabilities	532	545	(13)
Average medium- and long-term interest-bearing liabilities	508	587	(79)
Average interest-bearing liabilities	**1,040**	**1,132**	**(92)**
Interest expense on funded liabilities[(a)]	24	31	(7)
Average cost of funding on funded liabilities	**2.3%**	**2.7%**	**(0.4%)**
Average 1-month US LIBOR	0.1%	1.4%	(1.3%)
Spread over LIBOR	**2.2%**	**1.3%**	**0.9%**

(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 5% to $290 million in FY21 from $275 million in FY20. The increase was driven by an increase in staff compensation, which includes fixed and variable components, to $199 million (FY20: $164 million). Other personnel costs and charges such as training and recruitment decreased by 22% due to the decrease in global headcounts across all locations. Other operating expenses, comprising professional fees, travel and business development, administration and infrastructure costs decreased by 17% to $77 million as compared to $93 million in FY20, primarily due to a reduction in travel and other discretionary expenses given the current environment.

Operating expenses ($ millions)	FY21	FY20	Change H/(L)
Staff compensation	199	164	35
Other personnel costs and charges	14	18	(4)
Other operating expenses	77	93	(16)
Total operating expenses	**290**	**275**	**15**
Full time employees (‘FTE’) at end of period	427	447	(20)
Staff compensation per FTE (‘000)	466	367	27%
Total staff compensation / total operating expenses	69%	60%	9%
Cost-to-income[(a)]	68%	n.m.	n.m.

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

Balance Sheet

Key balance sheet metrics are shown in the table below.

Balance sheet metrics	Jun-21	Jun-20
Total assets	$2.4 billion	$2.1 billion
Leverage[(a)]	0.7x	1.2x
Net leverage ratio[(b)]	0.2x	0.6x
Shareholders' equity	$1.3 billion	$0.9 billion
Co-investments[(c)] / long-term capital[(d)]	0.4x	0.6x
Residual maturity – medium- and long-term facilities	63 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

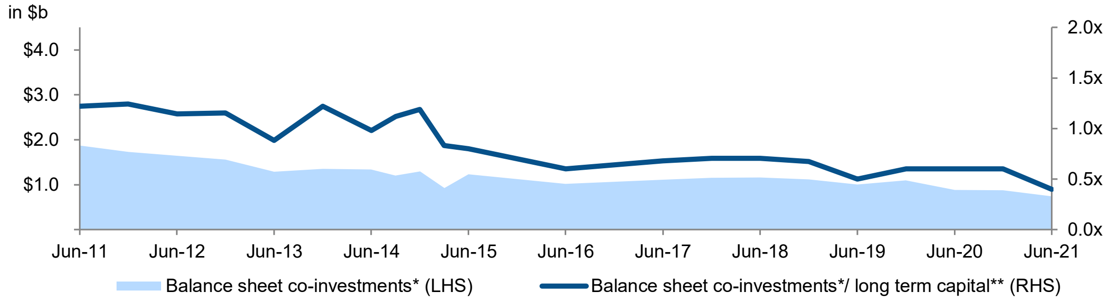
(d) Long term capital consists of JPY37 billion debt maturing in FY30, €36 million secured financings maturing in FY31, €3 million debt maturing in FY32, $50m debt maturing in FY33, deferred fees and total equity

Assets

Assets ($ millions)	Jun-21	Jun-20	Change H/(L)
Cash and other liquid assets	289	309	(20)
Underwriting & warehousing	445	192	253
Co-investments	705	884	(179)
Investments in joint ventures, associates and intangible assets	76	115	(39)
Other (working capital and fixed assets)	876	623	253
Total assets	**2,391**	**2,123**	**268**

At June 30, 2021, total assets were $2.4 billion, 13% higher than at June 30, 2020 primarily due to higher PE and RE underwriting and warehoused investments, and an increase in other working capital. This was partially offset mainly due to lower co-investments. The increase in working capital is a temporary increase primarily due to a higher level of subscriptions receivable driven by a high level of placement activity and higher exit proceeds receivables. The increase in underwriting & warehousing is due to higher deployment at year end, providing a strong pipeline for the launch of placements in FY22. The significant decrease in total co-investments by $179 million was driven by a decrease in PE, RE, ARI and CM co-investment resulting from net realizations during the fiscal year. This was partially offset by an additional investment in structured products. During FY21, the Firm established a fund of $379 million (including commitments) consisting of a portfolio of co-investments in PE, RE and ICM products. $157 million has been initially funded by Investcorp in the fund, with the remaining funded by a third party as a preferred investor. The fund is currently being marketed to other potential investors and $90 million of the funded portion is shown as underwriting.

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)

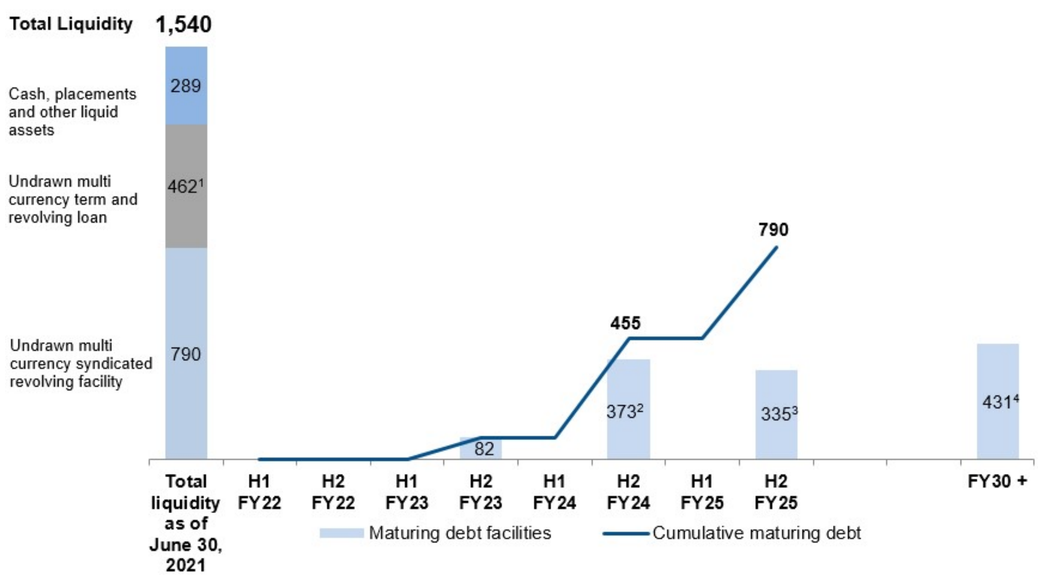
** Long term capital consists of JPY37 billion debt maturing in FY30, €36 million secured financings maturing in FY31, €3 million debt maturing in FY32, $50m debt maturing in FY33, deferred fees and total equity

Investcorp focuses on maintaining a co-investment to long-term capital ratio of 1.0x or lower, such that the entire balance sheet co-investment portfolio is fully funded through permanent or quasi-permanent capital and does not rely on medium-term debt financing. Prudent capital and liquidity management has served the Firm well during this unprecedented crisis. Despite the impact of the COVID-19 pandemic on the total share capital of Investcorp, as at June 30, 2021 the aggregate level of co-investments remained fully covered by permanent and long-term sources of capital.

Liquidity

Investcorp's prudent liquidity management policy ensured that accessible liquidity, comprising undrawn committed revolving facilities plus balance sheet cash and other liquid assets was $1.5 billion at the end of FY21 and covers all outstanding debt maturing over the next five years.

Liquidity cover ($ millions)



1 $462 million balance available from multi currency term and revolving loan on a call basis, as at June 30, 2021

2 Syndicated revolving facilities - includes €76 million ($90 million as at June 30, 2021 exchange rates)

3 Syndicated revolving facilities

4 JPY 37 billion ($335 million as at June 30, 2021 exchange rates) debt maturing in FY30, €36 million ($42 million as at June 30, 2021 exchange rates) debt maturing in FY31, €3 million ($4 million as at June 30, 2021 exchange rates) debt maturing in FY32, & $50 million maturing in FY33

Liabilities

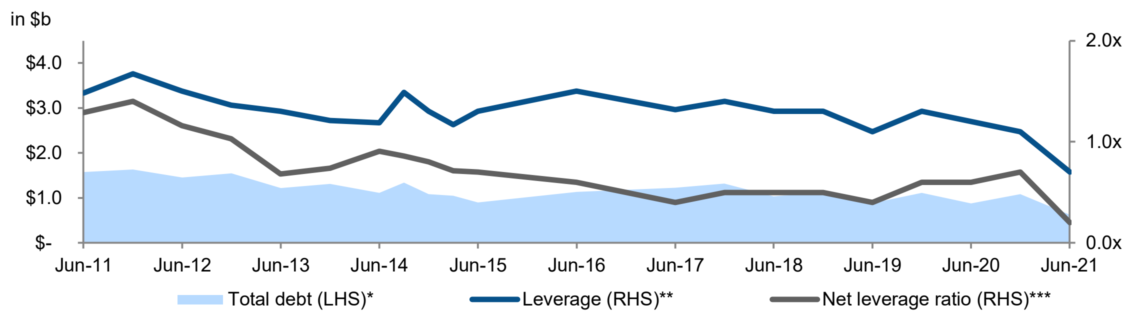
Total liabilities decreased by $136 million to $1,119 million at June 30, 2021.

Liabilities ($ millions)	Jun-21	Jun-20	Change H/(L)
Short-term financing	174	261	(87)
Medium and long-term debt	456	611	(155)
Total debt	**630**	**872**	**(242)**
Lease liability	102	109	(7)
Deferred fees	52	62	(10)
Other liabilities[(a)]	335	212	123
Total liabilities	**1,119**	**1,255**	**(136)**

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

The decrease in total liabilities was mainly driven by the repayment of short-term and medium-term revolvers and partial repayment of secured long-term debt. This was offset by an increase in working capital due to deal related payables, as a result of acquisitions at year end. The improved net debt position together with a higher level of equity and liquidity puts the balance sheet in a strong position heading into the next fiscal year.

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

Agency	Rating grade	Comment
Fitch Ratings	BB / Stable outlook	Rating and outlook affirmed in November 2020
Moody's Investor Service	Ba2 / Negative outlook	No changes from rating actions performed in June 2020

In April 2020, Fitch Ratings revised Investcorp's credit ratings from BB 'Positive' outlook to BB 'Stable' outlook which was affirmed in November 2020. "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 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 (DBD) basis and its sizable co-investment portfolio, which is subject to fair value changes."

In June 2020, Moody's revised Investcorp's credit ratings from Ba2 'Stable' outlook to Ba2 'Negative' outlook and no additional rating actions have been taken. "The rating reflects Investcorp'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, liquidity and equity are expected to remain resilient. The rating also reflects Investcorp's high leverage, and the impact of the economic downturn prompted by the coronavirus on its financial performance."

Equity

Equity ($ millions)	Jun-21	Jun-20	Change H/(L)
Ordinary shareholders' equity	854	727	127
Preference share capital	375	123	252
Proposed appropriations	44	22	22
Other reserves	(3)	(5)	2
Non-controlling interests	2	1	1
Net book equity	**1,272**	**868**	**404**

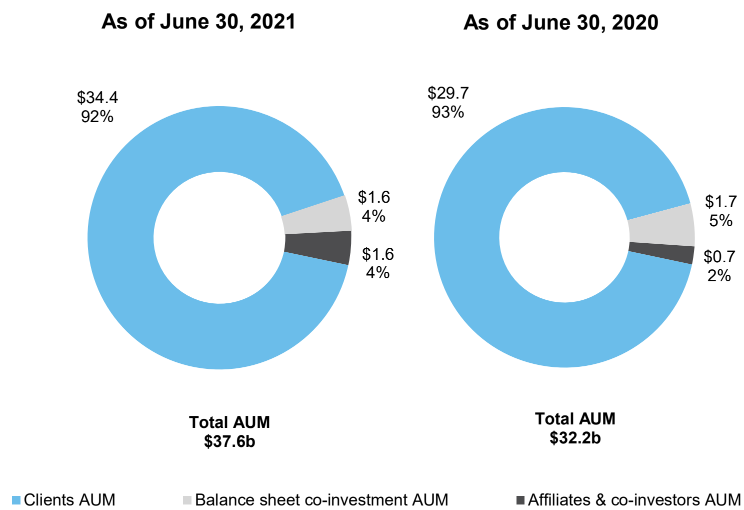
Net equity at June 30, 2021 increased to $1.3 billion. The 47% increase from June 30, 2020 resulted from the strong rebound in profitability in FY21, the successful issuance of $252 million of Series E Preference shares and the sale of treasury shares to the management team. Book value per ordinary share as of June 30, 2021 increased by 7% to $10.81 (FY20: $10.07).

ASSETS UNDER MANAGEMENT

Assets under management ('AUM')[1 2 3 4 5]

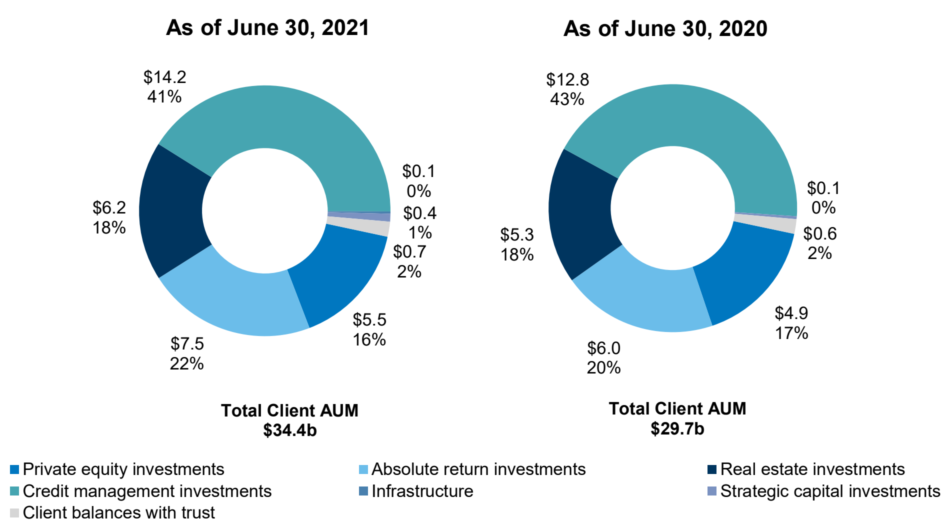
Please refer to the table in Note 2 of the Consolidated Financial Statements of Investcorp Holdings B.S.C., which summarizes total assets under management in each of the reporting segments.

Total assets under management ($ billions)



Total AUM increased to $37.6 billion at June 30, 2021 from $32.2 billion at June 30, 2020. The $5.4 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 16% to $34.4 billion at June 30, 2021 from $29.7 billion at June 30, 2020.

[1] Includes $4.9 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. Further as at June 30, 2021, the total AUM held through the joint venture amounted to $7.6 billion (June 30, 2020: $6.1 billion)
[2] Real estate investments AUM is stated at gross asset value. Also, includes $0.3 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
[4] As of June 30, 2021, Investcorp managed AUM amounting to $0.2 billion through its joint ventures for PE investment business
[5] As of June 30, 2020, Investcorp's associate management AUM amounting to $6 million which is currently nil due to the sale of the associate

The most dominant asset class in client AUM continues to be credit management with 41% of the total AUM. The increase in total client AUM in FY21 is largely attributable to the 25% increase in absolute return investments client AUM to $7.5 billion from $6.0 billion. This increase is largely due to the strong performance and fundraising for Nut Tree Capital Management and continued fundraising across other products particularly HC Tech and Tages Eckhardt Systematic Short-Term UCITS Fund. Real estate client AUM increased by 16% to $6.2 billion from $5.3 billion largely due to the acquisition and placement of five new portfolios. Private equity client AUM increased by 11% to $5.5 billion from $4.9 billion primarily due to strong fundraising for the new private equity offerings, and the launch of the North American Private Equity Fund and Investcorp's Technology Fund V. Credit management client AUM increased by 11% to $14.2 billion from $12.8 billion largely due to the issuance/pricing of three new CLOs and the launch of Mount Row (Levered) Credit Fund II. Strategic capital client AUM increased to $0.4 billion largely due to continued fundraising for the Investcorp Strategic Capital Partners Master Fund, L.P. Infrastructure investments client AUM of $90 million represents the Firm's first anchor investment in the Aberdeen Standard Investcorp Infrastructure Partners' new GCC and MENA focused infrastructure fund from PIF, the sovereign wealth fund of Saudi Arabia.

Private equity investments ($ millions)	Jun-21	Jun-20	% Change B/(W)
Client AUM			
Closed-end funds	2,884	2,658	8%
Deal-by-deal investments	2,581	2,251	15%
Total client AUM – at period end	**5,465**	**4,909**	**11%**
Average client AUM	5,188	4,925	5%

Real estate investments ($ millions)	Jun-21	Jun-20	% Change B/(W)
Client AUM			
Closed-end funds (Mezzanine/debt)	117	184	(36%)
Deal-by-deal investments	6,068	5,134	18%
Total client AUM – at period end	**6,185**	**5,318**	**16%**
Average client AUM	5,752	5,136	12%

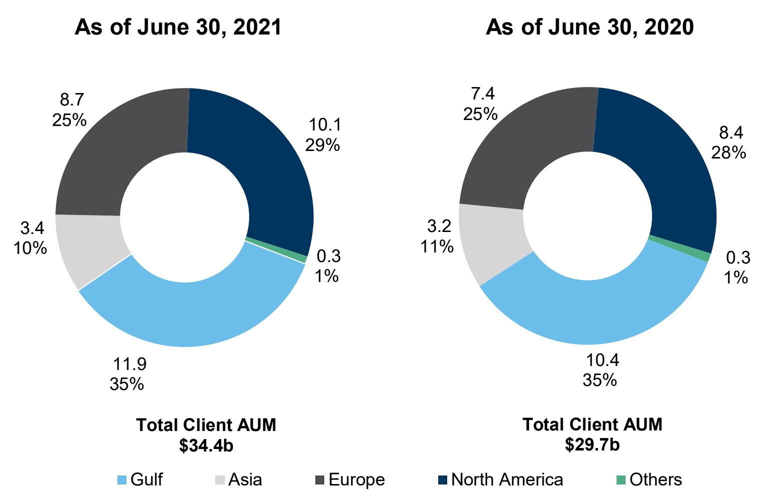
Credit management investments ($ millions)	Jun-21	Jun-20	% Change B/(W)
Client AUM			
Closed-end funds	13,804	12,492	11%
Open-end funds	371	314	18%
Total client AUM – at period end	**14,175**	**12,806**	**11%**
Average total client AUM	13,491	12,020	12%

Absolute return investments ($ millions)	Jun-21	Jun-20	% Change B/(W)
Client AUM			
Multi-manager solutions	3,158	2,939	7%
Hedge funds partnerships	3,703	2,479	49%
Special opportunities portfolios	593	564	5%
Alternative risk premia	49	40	23%
Total client AUM – at period end	**7,503**	**6,022**	**25%**
Average total client AUM	6,762	4,855	39%

Strategic capital investments ($ millions)	Jun-21	Jun-20	% Change B/(W)
Client AUM			
Closed-end funds	332	87	>100%
Deal-by-deal investments	28	28	0%
Total client AUM – at period end	**360**	**115**	**>100%**
Average total client AUM	237	57	>100%

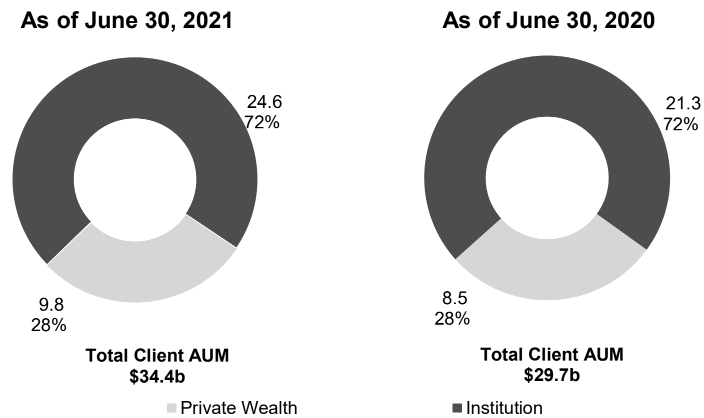
Infrastructure investments ($ millions)	Jun-21	Jun-20	% Change B/(W)
Client AUM			
Closed-end funds	90	-	n.m.
Total client AUM – at period end	**90**	**-**	n.m.
Average total client AUM	-	-	n.m.

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



During FY21, client AUM has grown consistently across the various regions. As at June 30, 2021, 65% of the Firm's client assets under management are from outside the Gulf region.

Composition of clients' assets under management by client type



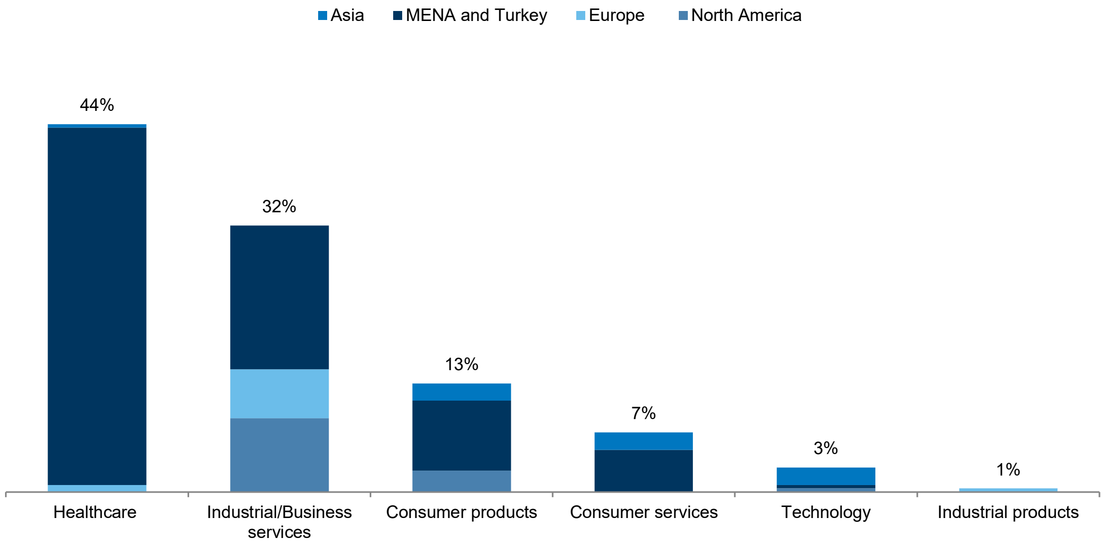
The composition of client AUM across institutional and private wealth clients have remained relatively stable.

PORTFOLIO REVIEW

Private Equity

At June 30, 2021, the carrying value of Investcorp's balance sheet co-investment in PE, excluding strategic investments and underwriting, was $237 million (invested in 59 companies and one special opportunity investment) compared with $339 million at June 30, 2020 (invested in 45 companies and two special opportunity investments). This represents 34% of total balance sheet co-investments at June 30, 2021. PE underwriting at June 30, 2021 was $196 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 10 (A) of the Consolidated Financial Statements of Investcorp Holdings B.S.C., which summarizes the June 30, 2021 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 June 30, 2021, Investcorp's aggregate balance sheet co-investment amount in private equity investments in North America was $27 million invested across eleven companies.

Acquired		Portfolio Company Name	Industry Sector	Headquarters
April 2021	RoadSafe	**RoadSafe Traffic Systems** The leading provider of traffic management and road infrastructure services in the United States *www.roadsafetraffic.com*	Industrial services – Supply chain services	Illinois, US

Acquired	Portfolio Company Name	Industry Sector	Headquarters
December 2020	**Resultant (formerly KSM Consulting)** A leading provider of digital transformation and data analytics services in the United States *www.resultant.com*	Business services – Technology enabled services	Indiana, US
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
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 – Knowledge & professional 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

Acquired	Portfolio Company Name	Industry Sector	Headquarters
October 2016	**Arrowhead Engineered Products** A market leading supplier/distributor of mission critical aftermarket parts primarily for off-highway vehicles *http://arrowheadepinc.com*	Consumer products – Supply chain services	Minnesota, US
October 2014 / May 2017	**PRO Unlimited**[1] 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 June 30, 2021, Investcorp's aggregate balance sheet co-investment amount in private equity investments in Europe was $10 million invested across thirteen companies.

Acquired	Portfolio Company Name	Industry Sector	Headquarters
June 2021	**CloudCare** A leading tech-enabled provider of online sales and customer acquisition services in Italy *https://www.cloud-care.it*	Business services	Rome, Italy
April 2021	**Investis Digital** A leading global provider of digital corporate communications and marketing services *https://www.investisdigital.com*	Business services	London, UK
December 2020	**Sanos Group** A leading provider of specialized clinical trial management services to the global pharmaceutical and biotechnology industry *https://www.nbcd.com* *www.sanosclinic.com*	Business services – Healthcare	Herlev, Denmark

[1] In June 2021, Investcorp announced that it has agreed to the sale of PRO Unlimited to EQT Private Equity. The transaction is subject to customary conditions and approvals, and is expected to close during the first half of FY22

Acquired	Portfolio Company Name	Industry Sector	Headquarters
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** The Nordic market-leading provider of Electronic Health Record (EHR) software and services as well as eHealth solutions to the primary and social care sector *https://www.cambiogroup.com*	Technology – Big data	Stockholm, Sweden
March 2018	**Acura** A fast-growing 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
June 2017	**ABAX** A 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
December 2016	**Agromillora** The leading global developer of high yielding plants and trees *www.agromillora.com*	Industrial services	Barcelona, Spain
June 2016	**Corneliani** An Italian luxury menswear brand *www.corneliani.com*	Consumer products – Specialty retail	Mantova, Italy
October 2015	**POC** One of the top providers of premium bicycle and winter sports gear products *www.pocsports.com*	Consumer products	Stockholm, Sweden

Acquired		Portfolio Company Name	Industry Sector	Headquarters
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 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 Scandinavian design brand with over 115 years heritage in fine silverware, jewellery and high-end homeware *www.georgjensen.com*	Consumer products – Specialty retail	Copenhagen, Denmark

PE Technology

As of June 30, 2021, Investcorp's aggregate balance sheet co-investment amount in technology investments was $1 million invested across six 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
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

Acquired	Portfolio Company Name	Industry Sector	Headquarters
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

PE MENA

As of June 30, 2021, Investcorp's aggregate balance sheet co-investment amount in private equity investments in the MENA region was $183 million invested across eleven 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

Acquired	Portfolio Company Name	Industry Sector	Headquarters
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
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.**[2] A leading specialist provider of products and solutions to the international oil and gas industry *www.hydrasun.com*	Industrial services	Aberdeen, Scotland

[2] Following the period end, in July 2021, Investcorp completed the sale of Hydrasun Group Holdings Ltd

Acquired	Portfolio Company Name	Industry Sector	Headquarters
October 2012	**Automak Automotive Company** A leading player in the fleet leasing and rental business in Kuwait *www.automak.com*	Industrial services	Kuwait
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 June 30, 2021, Investcorp's aggregate balance sheet co-investment amount in private equity investments in the Asia region was $16 million across eighteen companies and one special opportunity investment.

Acquired / Invested	Portfolio Company Name	Industry Sector	Headquarters
June 2021	**Linkedcare** A leading SaaS and supply chain solutions provider for dental and beauty industry in China *https://www.linkedcare.cn/*	Healthcare	Shanghai, China
June 2021	**Heritage Foods** A buy-and-build platform of Asian branded and heritage sauces and condiments *www.heritagefoodsgroup.com*	Consumer	Hong Kong, China
March 2021	**Safari Industries** India's third largest and fastest growing organized luggage brand *https://www.safaribags.com/*	Consumer	Mumbai, India
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

Acquired / Invested	Portfolio Company Name	Industry Sector	Headquarters
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	Philadelphia, Pennsylvania / Bangalore, 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
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

Acquired / Invested	Portfolio Company Name	Industry Sector	Headquarters
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	New Delhi, India
January 2019 / July 2020	**ZoloStays** India's leading technology enabled managed living services provider *www.zolostays.com*	Consumer services – Technology enabled services	Bangalore, 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
November 2016 / March 2017	**InCred Finance** A technology enabled retail financing company *http://www.incred.com*	Financial services	Mumbai, India

Other private equity activity

March 2021: Investcorp Gulf Opportunity Fund 1 announced the Initial Public Offering ("IPO") of its portfolio company, **Theeb Rent a Car Co.**, which started trading after a virtual bell-ringing ceremony on March 29, 2021 on the Saudi Stock Exchange ("Tadawul"). The IPO process was over 60x oversubscribed accumulating orders of $8.7 billion.

January 2021: PE Technology portfolio company, **Impero,** acquired Netop, an international software solutions provider to the education sector and corporates, from Consolidated Holdings A/S.

November 2020:	PE North America portfolio company, **Fortune International,** acquired Neesvigs, a Windsor, Wisconsin-based processor and distributor of seafood and protein products. 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 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')[3]

At June 30, 2021, the balance sheet carrying value of Investcorp's co-investment in ARI which is managed by the Investcorp-Tages joint venture was $40 million compared with $81 million at June 30, 2020. The amount represents 6% of total balance sheet co-investments at June 30, 2021. Please refer to the table in Note 10 (D) of the Consolidated Financial Statements of Investcorp Holdings B.S.C., which summarizes the June 30, 2021 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 June 30, 2021, Investcorp's balance sheet co-investment amount in hedge fund partnerships was $11 million, its investment amount in multi-manager solutions was $11 million, and its investment amount in Special Opportunities Portfolios was $18 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 June 30, 2021, approximately 28% of Investcorp's ARI co-investment was contractually available for monetization within a three-month window and 88% was available within a twelve-month window.

[3] 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

Strategy Outlook

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

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

Real Estate Investment

At June 30, 2021, Investcorp's RE balance sheet co-investments excluding underwriting totaled $47 million compared with $71 million at June 30, 2020. The amount represents 7% of total balance sheet co-investments at June 30, 2021.

Please refer to the table in Note 10 (C) of the Consolidated Financial Statements of Investcorp Holdings B.S.C., which summarizes the June 30, 2021 and June 30, 2020 carrying values by portfolio type. For details on RE underwriting, please refer to the table in Note 9 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 year.

Investcorp currently has 26 active real estate investment portfolios and one additional property is currently warehoused on the Investcorp balance sheet. At June 30, 2021, 23 of these portfolios were on or ahead of plan and only three portfolios were behind plan. The three portfolios that were behind plan consist of office buildings that have been negatively impacted by COVID-19 and are located in suburban Northern Virginia, downtown Washington, D.C. and downtown New York City.

Real Estate Portfolio Listing

Investcorp co-investment by year ($m)	Properties # vs. current [1]	Sector	Geographic location[2]	Carrying value end of Jun-21	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	Residential	FL / AZ		
UK Industrial Logistics	9 / 2	Industrial	GBR		
Midtown Manhattan Office	2 / 2	Office	NY		
2018 Residential[4]	5 / 2	Residential	IL / GA		
UK Industrial Logistics II	9 / 8	Industrial	GBR		
2018 Warehouse[4]	42 / 40	Industrial	AZ / MN / IL / TX		
Vintage FY18				**6**	**19**
German Office 2018	2 / 2	Office	GER		
US Industrial & Logistics[4]	56 / 51	Industrial	TX / IL / DE / MN / AZ		
2018 Multifamily[4]	6 / 6	Residential	FL / TX / UT		
2019 Multifamily[4]	8 / 8	Residential	NC / TX / AZ / GA / FL		
Frankfurt and Hamburg	2 / 2	Office / Industrial	GER		
US Distribution Center[4]	8 / 8	Industrial	IL / OH / AZ / FL / NC / MO / OH / TX		
Vintage FY19				**2**	**13**
2019 Multifamily II[4]	11 / 11	Residential	GA / FL / PA / NC / MO		
UK Industrial & Logistics III	10 / 10	Industrial	GBR		
2019 US Industrial and Logistics[4]	76 / 74	Industrial	IL / NC / TX		
535-545 Boylston Street	1 / 1	Office	MA		
2020 Residential Properties	5 / 5	Residential	CO / TX / FL		
European Office Portfolio[4]	3 / 3	Office	GER / BEL / NDL		
2020 Southeast Industrial & Logistics[4]	50 / 50	Industrial	GA / TN		
Atlantic Point[3]	1 / 1	Residential	NY		
Vintage FY20				**17**	**32**
2020 Warehouse and Logistics Portfolio	30 / 30	Industrial	OH / IL		
2021 Multifamily Portfolio	5 / 5	Residential	GA / MD / FL		
US National Industrial Portfolio	39 / 39	Industrial	AZ / FL / NJ / MN / CA / NV		
Sunbelt Multifamily	5 / 5	Residential	AZ / GA / TX		
UK Industrial & Logistics IV	13 / 13	Industrial	GBR		
Vintage FY21				**11**	**0**
Others				0	1
Sub-total	**432 / 382**			**39**	**70**
New portfolios under construction	5 / 5			8	**1**
Total including new portfolios under construction	**437 / 387**			**47**	**71**

[1] 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

[2] Two letter code denotes North America US states and three letter code represents country ISO code

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

[4] Exposure has reduced as these portfolios form part of the new fund now shown under 'Investment in Structured Products'

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 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 June 30, 2021, Investcorp's CM balance sheet co-investments totaled $255 million compared with $317 million at June 30, 2020. The amount represents 36% of total balance sheet co-investments at June 30, 2021.

Please refer to the table in Note 10 (B) of the Consolidated Financial Statements of Investcorp Holdings B.S.C., which summarizes the June 30, 2021 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[i]	Cash returned to equity to date %[ii]	Total AUM Jun-21	Investcorp AUM Jun-21
FY 2014	107%	820	22
FY 2015	98%	1,295	41
FY 2016	81%	1,322	50
FY 2017	50%	1,042	37
FY 2018	49%	934	46
FY 2019	24%	934	47
FY 2020	12%	1,360	0
FY 2021[iii]	N/A	1,038	6
European CLO Funds		**8,745**	**250**
FY 2013	112%	310	0
FY 2015	45%	735	0
FY 2017	54%	509	5
FY 2018	45%	986	0
FY 2019	25%	446	6
FY 2020	17%	803	13
FY 2021[iii]	N/A	410	30
US CLO Funds		**4,199**	**54**
Other Funds[iv]		1,716	38
Other		**1,716**	**38**
Total		**14,659**	**342**

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

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

[iii] The first payment is not due as of June 30,2021

[iv] Other funds include Global Income Fund, European Middle Market Fund, Mount Row Levered Funds, Investcorp Credit Management BDC, Investcorp Credit Opportunity Portfolios and Risk Retention Funds

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 June 30, 2021 were 13%.

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

The GIF[4] generated a net return of +2.45% in the six months ending June 30, 2021 and 9.06% in FY21. Since inception in August 2015, the Fund's annualized net return is 4.01%.

As expected in current market conditions, where CCC-rated and defaulted assets (which are outside the Fund's strategy), have driven market performance year-to-date, the Fund underperformed the 3.44% year-to-date return of the benchmark index by -56 bps on a gross basis (-99bps net). This performance is consistent with the conservative portfolio positioning and strategy of the Fund which drove outperformance on a comparable gross basis in FY20, when market conditions were more difficult. The Fund broadly maintained its geographical allocation

[4] USD Share Class

over the quarter, with a slight increase towards US assets. At quarter end, 73% of the Fund was invested in USD, 24% in EUR and 3% in GBP, compared to 72% USD as at December 2020.

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 Fund was upsized by €50 million in May 2021 through an increase in its leverage facility. The portfolio is highly defensive, covering 110 issuers with an average EBITDA of over €450 million, and has performed well through 2021 to date. The Fund has generated a net return of approximately 10.0% per annum since inception in January 2020.

Mount Row (Levered) Credit Fund II, a €300 million target Fund, held its first close in January 2021. The Fund's current levered AUM is approximately €275 million. The Fund remains open for new investors targeted to be fully closed by the end of September 2021.

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".